

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

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**Minutes**

<b>Meeting No.</b>	47
<b>Location</b>	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
<b>Date</b>	Wednesday 14 March 2012
<b>Time</b>	2.00pm – 3.30pm

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Allan Dawson	Chair	
Suzanne Frame	Compulsory - IMO	
Andrew Everett	Compulsory – Generator	
Shane Cremin	Discretionary – Generator	
Ben Tan	Discretionary – Generator	
Geoff Gaston	Discretionary-Generator	
Andrew Sutherland	Discretionary – Generator	
Stephen MacLean	Compulsory – Customer	
Steve Gould	Discretionary – Customer	
Michael Zammit	Discretionary – Customer	
Corey Dykstra	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Paul Biggs	Small Use Customer Representative	
Paul Hynch	Minister's appointee	
Phil Kelloway	Compulsory – System Management	
Neil Gibbney	Compulsory – Network Operator	Proxy
Holly Medrana	Observer-ERA	Proxy
<b>Apologies</b>	<b>Class</b>	<b>Comment</b>
Peter Mattner	Compulsory- Network Operator	
Wana Yang	Observer-ERA	
<b>Also in attendance</b>	<b>From</b>	<b>Comment</b>
Aditi Varma	IMO	Minutes
Neil Chivers	Western Power	Presenter
Paul Troughton	EnerNOC	Presenter
Bruce Cossill	IMO	Presenter
Greg Ruthven	IMO	Presenter
Jenny Laidlaw	IMO	Observer
Fiona Edmonds	IMO	Observer
Courtney Roberts	IMO	Observer

Wayne Trumble		Griffin Power	Observer
Item	Subject	Action	
1.	<p><b>WELCOME</b></p> <p>The Chair opened the meeting at 2.00 pm and welcomed departing and new members to the 47<sup>th</sup> meeting of the Market Advisory Committee (MAC).</p>		
2.	<p><b>MEETING APOLOGIES / ATTENDANCE</b></p> <p>No apologies were received.</p> <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> <li>• Dr Paul Troughton (Presenter)</li> <li>• Wayne Trumble (Observer)</li> <li>• Greg Ruthven (Observer)</li> <li>• Fiona Edmonds (Observer)</li> <li>• Jenny Laidlaw (Observer)</li> <li>• Courtney Roberts (Observer)</li> <li>• Aditi Varma (Minutes)</li> </ul> <p>The Chair noted that this was a transitional meeting for outgoing MAC members and welcoming new MAC members. The Chair proceeded to explain the purpose and role of the MAC and expectations from its members to represent the class for which they have been appointed.</p>		
3.	<p><b>MINUTES OF PREVIOUS MEETING</b></p> <p>The minutes of MAC Meeting No. 46, held on 15 February 2012, were circulated prior to the meeting. The following amendments were agreed:</p> <p><i>Page 9: Section 9: Carbon Tax Implications on the WEM</i></p> <ul style="list-style-type: none"> <li>• 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. <u>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.</u> <del>was concerned that the sent-out SCADA data would not be an accurate reflection of generator's carbon intensity and therefore, generators should be required to report sent out carbon intensity which could later be reconciled with the SCADA data.</del> Mr Everett agreed with Mr Cremin and highlighted that this was the only way generators would be able to report carbon intensity.</li> <li>• 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 <del>intensity</del> <u>electricity</u> rather</li> </ul>		

	<p>than a more accurate reading per Trading Interval.</p> <ul style="list-style-type: none"> <li>• Mr Dykstra questioned <del>if whether</del> the reporting obligation <u>would</u> rest at the entity level or at the facility level and <u>noted</u> that the reporting obligation falls on the controlling entity and not necessarily the owner of the facility.</li> <li>• <del>“Mr Huxtable noted that it is a carbon pricing mechanism and not a carbon tax, therefore it is not covered under tax changing laws. 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.</del></li> </ul> <p><i>Page 10: Section 9: Carbon Tax Implications on the WEM</i></p> <ul style="list-style-type: none"> <li>• <u>“The Chair informed the MAC that the IMO would inform Market Participants of its intention and <del>requirements</del> its methodology with regard to carbon-intensity reporting.”</u></li> <li>• <u>“Action: The IMO to inform MAC on its intention and its methodology <del>requirements</del> with regards to carbon-intensity reporting.”</u></li> </ul>	
4.	<p><b>ACTIONS ARISING</b></p> <p>Ms Suzanne Frame walked MAC members through various action items. The following update was noted:</p> <p>With respect to Item 43, Dr Paul Biggs informed the MAC that the report had been drafted and was to be shared with the Minister’s office. Mr Dykstra asked whether any changes were likely before next summer to which Dr Biggs responded that the next step would be to conduct a detailed cost benefit analysis which would delay any changes beyond next summer.</p>	
5a.	<p><b>MARKET RULE CHANGE OVERVIEW</b></p> <p>Ms Suzanne Frame noted that the IMO had been conducting an internal review of the Rule Change log over the last couple of months. An updated summary was provided in the meeting papers.</p> <p>Mr Andrew Sutherland queried if RC_2010_08 should be removed from the log as it was no longer required after MEP changes. Ms Frame confirmed that Mr Sutherland was correct that it was no longer required and the decision to reject this Rule Change would be reflected in the draft report which is currently being drafted. She added that this Rule Change would not be removed from the log as it was already in the formal process.</p>	
5b.	<p><b>PRC_2012_02: RELEVANT DEMAND FOR A DEMAND SIDE PROGRAMME</b></p>	

	<p>Dr Paul Troughton presented the Pre Rule Change Discussion Paper: Relevant Demand for a Demand Side Programme (PRC_2012_02). Dr Troughton advised that the methodology used for calculating Relevant Demand did not allow for identifying the contribution of individual Demand Side Programmes (DSP). This creates some level of risk for DSP as they are unable to provide certainty to their customers. He added that the current methodology hindered the level of transparency offered to end use customers. He further suggested that the solution to the problem only involved changing some key words in the Wholesale Electricity Market Rules.</p> <p>In response to a question from Mr Sutherland, Dr Troughton said that this approach for calculating Relevant Demand was unique to the Wholesale Electricity Market.</p> <p>The Chair confirmed that the IMO currently calculates Relevant Demand using both the approach required by the Market Rules and the proposed approach incorporated in PRC_2012_02. Mr Stephen MacLean queried whether there was a significant difference in the Relevant Demand figure calculated using the two approaches. Dr Troughton answered that the examples presented in the Pre-Rule Change Discussion paper were for illustrative purposes only and in reality the difference in Relevant Demand calculated using the two approaches was insignificant</p> <p>Mr Dykstra mentioned that the problem faced by DSP was not unique. A similar problem was faced by retailers when they add a customer to a portfolio to supply electricity. The customer can be priced either individually or as a part of a portfolio. He added that this constituted a business risk which could be minimized when creating supply contracts. He added that the issue mainly constituted a commercial risk and did not seem to add any market benefit.</p> <p>Mr Ben Tan queried whether the optimization done under approach A would be the same as approach B. Dr Troughton answered that the goals are different. He added that the goal under approach A was to optimize reliability whereas the goal under approach B was a compromise between reliability and transparency.</p> <p>Mr Shane Cremin suggested that at the time RC_2010_29: Curtailable Loads and Demand Side Programmes was proposed, it was possible that the other approach could have been adopted if this issue was raised at that time. He added that as the two approaches did not produce different results and if it was clear that a Market Objective was being achieved, this rule change could be progressed further. However, it was not apparent why the urgency was classified as high. The Chair added that the reasoning behind adopting the current approach was to treat a DSP as a single facility. He added that it might be beneficial from a communication perspective to adopt the second approach which would allow the DSP to report individual contribution of customers.</p> <p>Discussion ensued on the resultant implications of the proposed rule change for the DSP.</p> <p>Mr MacLean alluded to the analysis conducted by Data Analysis Australia (DAA) and suggested that IMO consider engaging DAA to check if the</p>	
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	<p>original conclusions on different approaches were accurate. He also suggested that the IMO consider implementing DAA's main recommendation which was to use 12 readings instead of 32 to assess the Relevant Demand. He added that should the IMO decide not to use this recommendation, it could consider using a methodology that would cap the Relevant Demand for a particular load at its Individual Reserve Capacity Requirement (IRCR). This would remove the problem of double counting the IMO identified in RC_2010_29.</p> <p>Mr Sutherland added that this issue exemplified how DSM capacity was different from generation capacity. The Chair suggested that such comments should be directed to the issues under consideration of the Reserve Capacity Mechanism Working Group (RCMWG).</p> <p>Dr Paul Biggs noted that the examples in the document suggest that the alternative approach might be more volatile. However, he added that Market Objective (e) might be achieved if the result of this rule change was increased uptake of DSM.</p> <p>The Chair suggested that the IMO would conduct further analysis on this issue and assess if there are any material differences on the determination of the Relevant Demand for existing DSP resulting from different approaches. The members agreed with this suggestion.</p> <p><i>Action Point: The IMO to conduct further analysis to assess if there are any material differences on the determination of the Relevant Demand for existing DSP resulting from the different approaches listed in PRC_2012_02 and provide an update to MAC members.</i></p>	IMO
6a.	<p><b>MARKET PROCEDURE CHANGE OVERVIEW</b></p> <p>Ms Frame informed the MAC that System Management's Power System Operation Procedures (PSOPs) were being sent for another round of further consultation. Mr Phil Kelloway clarified that only a few of the PSOPs would be subjected to the further consultation period. He added that all Procedure Change reports would be completed together.</p>	
7a.	<p><b>WORKING GROUP OVERVIEW</b></p> <p>The MAC noted the Working Group overview.</p>	
7b.	<p><b>RDIWG UPDATE</b></p> <p>Ms Frame advised that at the upcoming RDIWG meeting on 22 March there will be an opportunity to discuss System Management's PSOPs if required. Mr Dykstra asked if stakeholders should expect an information pack on latest updates. The Chair said that this was being prepared and will be circulated.</p> <p><i>Action Point: The IMO to circulate System Management's PSOPs and other meeting papers for the RDIWG</i></p>	IMO
7c.	<p><b>RCMWG UPDATE</b></p> <p>Ms Frame provided a verbal update of the RCMWG meeting held on 15 February.</p>	

	<p>Mr Sutherland requested that a schedule of work streams under the RCMWG be provided to the group. The Chair said that it would be provided as a part of the next meeting papers.</p> <p><i>Action point: The IMO to include a schedule of work streams in the RCMWG meeting papers for March</i></p>	IMO
8.	<p><b>UPDATE ON IMPLEMENTING THE PROVISION OF NCS</b></p> <p>Mr Neil Chivers proceeded to present an update on Western Power's Network Control Services.</p> <p>The following comments and questions were noted:</p> <ul style="list-style-type: none"> <li>• Mr Michael Zammit queried about Western Power's decision if at the Request for Information (RFI) stage where different options for augmentation are being looked at, an option did not itself fulfil all requirements but presented other potential options that could be put together to create better outcomes, Mr Chivers answered that Western Power would have to consider the viability of the new option. He added that Economic Regulation Authority (ERA) would expect Western Power to give consideration to the new option.</li> <li>• The Chair questioned what the expected timeline was to finalise the contracts. Mr Chivers answered that Western Power was aiming to complete this by mid-2012. The Chair also questioned if the winning tender would receive any concession with regard to network connection arrangements. Mr Chivers answered that the Applications and Queuing Policy (AQP) also applied to NCS proposals and Western Power still had to conduct technical system studies to assess that. Mr Ben Tan queried who was responsible for conducting system studies. Mr Chivers answered that NCS proposals would need to submit connection applications and that studies would be handled internally by Western Power.</li> <li>• Mr Cremin queried about the duration of the contracts. Mr Chivers confirmed that they would run from anywhere between 2-3 years to 10 years depending on the visibility of NCS. Mr Cremin further asked whether the possibility of facilities turning redundant was factored into the duration of the contract. Mr Chivers answered that such issues would have to be dealt with as and when the information becomes available, and he noted that the same could be the case with network facilities if circumstances changed after the investment.</li> <li>• Mr Geoff Gaston asked if providers of Network Control Services would qualify for Capacity Credits to which the Chair responded that they would.</li> <li>• The Chair asked about the proportion of the cost of the NCS capacity being allocated to block loads in the Albany area and the proportion being allocated across all network users. Mr Chivers responded that all of the cost of the NCS capacity would be passed to all network users as there were currently no new block loads in the area.</li> <li>• Mr Cremin queried if the NCS providers would pass the new facilities investment test to which Mr Chivers responded that they would need to pass the tests for Operating Expenditure as the new facilities investment test applied to capital expenditure.</li> </ul>	

	Mr Chivers concluded his presentation and added that Western Power was happy to share information on a continuing basis with the MAC.	
9.	<p><b>GENERAL BUSINESS</b></p> <p><i><b>Potential Merger of Verve and Synergy</b></i></p> <p>Mr Cremin queried if there was any guidance from the IMO Board on future commitments to Market Rules given the possibility that Verve and Synergy could be amalgamated in the future.</p> <p>The Chair replied that the preliminary view of the IMO is that market structures themselves may not need any significant changes to accommodate such an event.</p> <p>Mr Dykstra mentioned that other stakeholders have put forth their positions on this policy direction. He queried if the IMO would make clear its views on the potential amalgamation, considering its position in the Wholesale Electricity Market as a body that upholds Market Objectives and Market Rules.</p> <p>The Chair noted that the IMO would communicate its position if asked.</p> <p><i><b>Carbon Intensity Index</b></i></p> <p>Mr Dykstra asked for a general update from the IMO on the carbon intensity index. Mr Bruce Cossill was invited to provide the update. He noted that the IMO had engaged a consultant to assist with preparing the design for the carbon intensity index.</p> <p>Mr Geoff Gaston mentioned that he had noted MAC's discussion at the previous meeting on the carbon intensity index. He mentioned that in the interest of transparency, a need might arise to include a requirement for collecting this data in the Market Rules as contracts are likely to be negotiated with reference to this index. He mentioned that a Market Procedure already existed in the National Electricity Market (NEM) for this. Mr Dykstra provided more information on Australian Energy Market Operator's (AEMO) procedure on carbon intensity. He noted that in NEM, participants were actually not bound to provide this information to the AEMO. He further added that it was important to understand what IMO's methodology would be. The Chair confirmed that work was well advanced in this area and would inform Market Participants on the IMO's progress.</p>	
<b>CLOSED:</b> The Chair declared the meeting closed at 3.30 pm.		