Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	48
Location	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 18 April 2012
Time	2.05pm – 3.30pm

Attendees	Class	Comment
Allan Dawson	Chair	
Suzanne Frame	Compulsory - IMO	
Andrew Everett	Compulsory – Generator	
Shane Cremin	Discretionary – Generator	
Geoff Gaston	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 Hynch	Minister's appointee	
Phil Kelloway	Compulsory – System Management	
Wana Yang	Observer – ERA	
Apologies	**Class**	**Comment**
Ben Tan	Discretionary – Generator	
Peter Mattner	Compulsory – Network Operator	
Also in attendance	**From**	**Comment**
Courtney Roberts	IMO	Minutes
Matt Pember	IMO	Presenter
Greg Ruthven	IMO	Presenter
Jenny Laidlaw	IMO	Observer
Fiona Edmonds	IMO	Observer
Aditi Varma	IMO	Observer

Item	Subject	Action
1.	**WELCOME** The Chair opened the meeting at 2.05 pm and welcomed members to the 48th meeting of the Market Advisory Committee (MAC).	

2.	**MEETING APOLOGIES / ATTENDANCE** The following apologies were received: • Ben Tan (Discretionary Class member) • Peter Mattner (Compulsory Class member) The following other attendees were noted: • Greg Ruthven (Presenter) • Fiona Edmonds (Observer) • Jenny Laidlaw (Observer) • Aditi Varma (Observer) • Courtney Roberts (Minutes)	
3.	**MINUTES OF PREVIOUS MEETING** The minutes of MAC Meeting No. 47, held on 14 March 2012, were circulated prior to the meeting. The minutes were accepted as a true and accurate record of Meeting No. 47. *Action Point: The IMO to publish minutes of Meeting No. 47 on the website as final.*	**IMO**
4.	**ACTIONS ARISING** Ms Suzanne Frame provided an update to MAC members on the various completed and outstanding action items from past meetings. The following updates were noted: • Action item 44 - The Chair informed the MAC that the IMO's Transitional Arrangements (as presented previously to the MAC) have been put into a policy document which is due to be reviewed by the IMO Board at its 19 April 2012 meeting. Following the IMO Board's review and approval, the IMO will publish the policy document on the website. • Action item 8 – The IMO has published a consultation paper on 'Carbon-intensity Reporting' on the website. • Action item 9 - Further analysis on the determination of the Relevant Demand for existing DSP's resulting from the different approaches listed in the Pre Rule Change Proposal: Relevant Demand for a Demand Side Programme (PRC_2012_02) is underway and the IMO will provide an update at the May MAC. Mr Corey Dykstra noted that he had been provided with feedback that the public statement from the Chair of the IMO Board on the compliance regime following the commencement of the new Balancing and Load Following markets had raised more questions than answers. Mr Dykstra stated that while the provision of a statement had been generally viewed as positive, it did not provide comfort to the market. The Chair informed Mr Dykstra that while the Market Rules must be complied with, the IMO Board's intention had been to convey to the market that it understands that participants will be operating in a new environment (as	

	prescribed by the Market Rules) from 1 July. Mr Phil Kelloway confirmed that the public statement had provided a sense of comfort to System Management. Mr Dykstra expressed that after reading the statement, concerns had not been alleviated. Mr Andrew Everett agreed but acknowledged that the Market Rules need to be complied with. The Chair thanked members for their comments on the impacts of the public statement and noted that he would inform the IMO Board of the feedback received.	
5a.	**MARKET RULE CHANGE OVERVIEW** Ms Frame noted that the IMO had been continuing its internal review of the Market Rule Change Log and had included a number of outstanding issues relating to the Rule Change Proposal: Competitive Balancing and Load Following markets (RC_2011_10). Ms Frame added that since the circulation of the MAC papers a number of outstanding issues have been further rationalised internally. These will be reflected at the next MAC meeting. The Chair informed the MAC that the IMO will continue to progress the outstanding issues on the log while Rule Participants familiarise themselves with the new Balancing and Load Following markets. Mr Everett queried whether there is a timeframe for progression of issues that are given a 'Medium' priority. The Chair responded that no timeframes are associated with 'Medium' priority issues but noted that the IMO endeavours to progress issues that are given a 'High' priority within 3 months and that issues raised by Market Participants are responded to immediately. Mr Everett referred to the issue regarding 'Tie Break Rules for the Forecast BMO' and queried whether this should be resolved before RC_2011_10 commences. Ms Jenny Laidlaw informed Mr Everett that this issue was identified as a clarification and therefore given a 'Medium' priority as the Amending Rules around tie breaks are not incorrect, but could simply be improved. Mr Dykstra noted that there has been an issue raised regarding the Tie Break Rules applying to the Verve portfolio and whether multiple Verve facilities should be treated as separate facilities for Tie Breaker purposes. The Chair responded that stand alone facilities can secure separate treatment. *Action Point: The IMO to provide further details of the required clarifications to the Tie Break Rules for the Forecast BMO to the MAC.*	 **IMO**
5b.	**PRC_2012_03: ASSIGNMENT OF CAPACITY CREDITS TO NCS FACILITIES** The Chair invited Mr Greg Ruthven to present the Pre Rule Change Discussion Paper: Assignment of Capacity Credits to NCS Facilities (PRC_2012_03). Mr Ruthven advised that the proposed changes had come about following a review by the IMO of the provisions in the	

	Market Rules relating to NCS facilities which had identified that some clauses introduced since market start were contradictory to the original set of Market Rules. The original intent of the Market Rules was that a facility with a NCS contract would be provided with Capacity Credits, though a specific clause to this effect was not included into the Market Rules. PRC_2012_03 seeks to amend a number of clauses around the allocation of Capacity Credits for NCS facilities. Mr Ruthven also noted it had been identified by the IMO that a Facility with a Long Term Special Price Arrangement would not be allocated Capacity Credits under the current Market Rules. Mr Dykstra queried why conceptually the market should bear the costs and not the network users given that an NCS contract is a replacement for a network solution. Mr Dykstra suggested that either the marginal load that triggers the need for the upgrade or more generally the users of that network should pay for the transmission network upgrade through the network charges, so that specific users bear the costs and not the market. This would be more consistent with the impacts of the network solution having been undertaken. In response the Chair noted that regardless of whether the IMO allocated Capacity Credits to the NCS Facility, the loads requiring the NCS would still need to be provided capacity by the market and the IMO would need to procure sufficient capacity to cover the loads. If Capacity Credits are not allocated to the NCS Facility then the IMO would need to secure additional capacity to meet the relevant loads. This would effectively increase the costs of procuring capacity to the market. Mr Gaston noted that if the IMO are procuring capacity to meet peak demand and a facility in another area is available to meet peak demand but can not supply that load because of a network constraint then an additional cost would be incurred by the market. Alternatively if Western Power procures a NCS Contract from a Facility which has included into its offer a reduced price in the expectation that it will also receive income form Capacity Credits then the price offer from the NCS provider will be lower than the actual costs of provision. Western Power's assessment of whether or not to enter into a NCS contract would be based on an artificially low NCS price and therefore decision making on whether to the build upgrade to overcome the network constraint would potentially be distorted. Ms Laidlaw noted that this assumes that the Generator is eligible for Capacity Credits. Mr Gaston noted that where there is already a Market Generator somewhere on the grid that is ready to supply that load it is a delivery problem, not a demand problem. Mr Dykstra noted that it is not a question of needing more capacity but rather that the energy can not be delivered to the area that it is required. Costs are being transferred from the marginal load to the market. Mr Cremin questioned whether in setting capacity requirements network constrained loads are accounted for in the maximum demand for the SWIS. The Chair confirmed that this was the case. Mr Dykstra noted that the original market design document had an availability payment and dispatch payment for a NCS contract. The IMO paid the availability costs less the value of Capacity Credits for that	

	Facility, with the recovery of those costs being from System Management. Mr Dykstra considered that this suggests that there would not be a net cost to the market of the NCS. Mr Gaston considered that this makes more sense. Further discussion on the appropriateness of providing Capacity Credits to a NCS Facility and whether the costs for a NCS should be borne by the loads causing the need to the network upgrade ensued. Mr Stephen MacLean noted that the three Market Customer representatives had come to the same conclusion on this matter separately. The Chair agreed that it was a fair conclusion and that the IMO was looking at the issue from a capacity perspective and not considering the costs/benefits associated with entering into the NCS Contract. The Chair informed the MAC that the IMO and Western Power will further consider a revised design for the treatment of NCS facilities, with Western Power incurring the full costs of the NCS contract. The Chair noted that the IMO would like to still provide these facilities with Capacity Credits as it would ensure that the amount of capacity available to the market is correctly reflected. *Action Point: The IMO and Western Power to consider a revised design for the treatment of NCS facilities which ensures that the costs associated with avoiding a network upgrade via entering into a NCS Contract will accrue to the Network Operator.*	**IMO/ WP**
5c.	**PRC_2012_04: CONSEQUENTIAL OUTAGE CORRECTION** The Chair introduced Dr Steve Gould to present the Pre Rule Change Discussion Paper: Consequential Outage Correction (PRC_2012_04) at the request of Tesla, as Mr Ben Tan was unable to attend the meeting. Dr Gould noted that Tesla proposes to extend the definition of a Consequential Outage to include circumstances where a Planned Outage to a Network Operator's piece of equipment causes the impacted Facility to experience an outage. Dr Gould noted that while there is a good faith obligation for a Network Operator to provide sufficient notification to a Market Generator of a Planned Outage this doesn't always happen and in these circumstances the Market Generator should not be subject to capacity refunds (via experiencing a Forced Outage). Where in these circumstances a Market Generator is informed in advance of a Planned Outage of a network, the Market Generator can apply to System Management for a Planned Outage. Mr Phil Kelloway queried what the original intention of making an impacted facility subject to a Forced Outage in these circumstances would have been. The Chair responded that the original Market Rules would have been drafted based on the assumption that sufficient notice of the Planned Outage of the Network Operator would have been provided to the Market Generator to allow them apply for a Planned Outage (and therefore avoid capacity refunds). Mr Kelloway added that many Network Outages, particularly of the distribution network, occur under short notice and therefore impacted Market Generators are not provided with sufficient notice to make an application for a Planned	

	Outage. Mr MacLean noted his support for the proposed changes and queried the coordination of distribution outages that are impacting on the grid (i.e. during a hot day) and Market Generators who are applying for a Planned Outage but System Management considers that they will be required to stay in service. Mr Kelloway responded that System Management will reach a joint agreement between the Network Operator (whether a transmission or distribution outage) and the Market Generator to find a mutually suitable time for the outage to occur. If there is a dispute over this then System Management will make a determination. Mr Kelloway noted that System Management had never had to exercise the need to make a determination in this type of circumstance. Mr Peter Huxtable queried whether the proposed changes entirely remove the obligation on the Market Generator to inform System Management that its Facility will be on outage (i.e. apply for a Planned Outage). Ms Fiona Edmonds responded that an impacted Market Generator who was intending to undertake a Planned Outage in the future would still be able to apply to System Management to have this outage at the earlier time that coincides with the network outage. Ms Edmonds confirmed that the proposed changes would create a potential incentive for Market Generators to not inform System Management of outages in these circumstances as they will automatically turn into Consequential Outages. Mr Everett queried the impact of the new process for System Management progressing applications of a Consequential Outage. Mr Kelloway noted that this would not be an issue. Mr MacLean queried whether an approach of System Management automatically issuing a Planned Outage to a Market Generator in these circumstances would be appropriate as it would resolve communication issues and ensure a co-ordination of the outages. Ms Edmonds responded that she had discussed this option with Mr Tan and he had expressed concerns that this approach as it would result in a higher level of Planned Outages being recorded for the Facility, despite the fact that a number of these outages were actually outside the control of the Facility. Mr MacLean clarified his suggestion that System Management should provide the Market Generator with a notification that the transmission or distribution line will be on a Planned Outage. Mr Kelloway confirmed that currently Western Power was required to provide this notification, but noted that Mr MacLean's suggestion that System Management would automatically generate an application for the impacted facility would result in potentially less coordination of outages. Ms Wana Yang added that prior to approval of a Network Outage System Management should consider whether notification to the impacted generator has been provided. *Action Point: System Management to consider whether any process changes for approving network outages could be possible to ensure that Market Generators are provided with sufficient notice of the outage.* The MAC agreed that, subject to System Management looking into the approval process of network outages, PRC_2012_04 should be	 **SM**

	submitted into the Standard Rule Change Process as the proposed amendments do not seek to amend a manifest error. *Action Point: Tesla to submit the Rule Change Proposal: Consequential Outage Correction (RC_2012_04) into the Standard Rule Change Process.*	**Tesla**
6a.	**MARKET PROCEDURE CHANGE OVERVIEWS** Ms Frame informed the MAC that the Final Report for the New Market Procedure for Balancing Market Forecasts (PC_2012_03) was published on 30 March 2012 and the Final Report for the New Market Procedure for Balancing Facility Requirements (PC_2012_02) is underway. Ms Frame added that the IMO is currently working with System Management to finalise the Procedure Change Reports for its replacement PSOP's required for under the new Balancing and Load Following markets (PPCL0021, PPCL0022 & PPCL0023). Mr Kelloway recapped on the further consultation period for the PSOP's that was undertaken and thanked members for their feedback. System Management is currently undertaking an internal check of its PSOP's for consistency with the Amending Rules from RC_2011_10. Procedure Change Reports, along with the final proposed PSOPs, are expected to be published by the end of April. Mr Gaston queried whether the feedback provided to Mr Cameron Parrotte at the last Rules Development Implementation Working Group (RDIWG) meeting have been taken into account. Mr Kelloway responded that the feedback had raised a number of other issues which will be looked at separately by System Management. Mr Matt Pember confirmed that the IMO had made a formal submission of the replacement PSOP's to System Management which included the comments raised in the RDIWG. Mr Gaston added that he sent additional feedback via email to Mr Parrotte.	
7a.	**WORKING GROUP OVERVIEW** The MAC noted the Working Group overview. The Chair noted the Ministers acknowledgement of the newly appointed MAC for 2012. The Chair also noted that protected provisions in the Amending Rules for RC_2011_10 had been approved by the Minister. Mr Paul Hynch advised the MAC that Mr Paul Biggs is no longer working for the Public Utilities Office (PUO) and a new Director is expected to be appointed before the next MAC meeting.	
7b.	**RDIWG UPDATE** The Chair introduced Mr Pember to provide an update on the RDIWG to the MAC. Mr Pember advised that in the last RDIWG the focus was on IMO and System Management timelines for implementation of the new markets. Some practical example of dispatch had been provided during the meeting to provide Market Participants with an idea of how the new markets will work in real time and how the IMO and System Management will expect Market Participants to respond.	

	Mr Gaston advised that Perth Energy were currently undertaking a number of system tests in preparation for the new Balancing and Load Following markets. Mr Gaston noted concern that the IMO is focusing heavily on the Market Participant Interface (MPI) and is not spending enough time on developing and testing web services which a majority of the market will be using. Mr Gaston also suggested that the IMO provide an example to the market of how the revised settlement systems will work prior to the start of the market on 1 July. Mr Gaston noted that participants would be uncomfortable with the commencement of the new Balancing market if they were uncertain how the settlements will work. Mr Pember informed Mr Gaston that the development work for web services is a lot easier than that for the MPI and this is why the focus is on MPI at the moment. Mr Pember advised that the most recent and possibly final release of the web services was last week and there were a few errors which the IMO are currently working on, mainly around formatting and would not be problematic to correct. Mr Dykstra queried the intention for dispatch instructions during a Trading Interval were intended to be via telephone (as was indicated at the last Market Operations industry forum) or through the MPI environment (as was discussed at the RDIWG). Mr Dykstra also queried how Dispatch Instructions issued before the Trading Interval vs. within the Trading Interval would be distinguished under the Market Rules. It is unclear that the Market Rules provide for separate processes for Dispatch Instructions in these circumstances. Mr Pember noted that System Management is only likely to need to issue intra-interval dispatches where something unanticipated arises and in these cases System Management will need to provide instructions straight away. It is for this reason that a phone call will be used during the transition period. It was not anticipated that this would be a common occurrence provided that there is sufficient Load Following Service available. Mr Pember noted that this has been clarified in the PSOP: Dispatch. The Chair advised the MAC that there had been a Settlement forum held last week and that Navita (the provider of the IMO's settlement system) is over at the moment if Mr Gaston or any other Rule Participant would like a demonstration on the revised settlement system.	
7c.	**RCMWG UPDATE** Ms Frame provided a verbal update of the Reserve Capacity Mechanism Working Group (RCMWG) meeting held on 17 April 2012. Ms Frame advised that Mr Mike Thomas had provided more detail on the solutions he proposed previously to the working group on the issues of the oversupply of capacity. Further detail of the solution to the oversupply of capacity would be presented in the May RCMWG meeting. Ms Frame noted that the second work stream currently being considered by the working group relates to the harmonisation of the demand and supply side of the market, with a high level paper presented by Dr Richard Tooth on this matter having been presented to the working group for discussion. More detailed options for harmonisation would be presented at the June RCMWG meeting.	

	It was also noted that Mr MacLean would provide his auction model to members prior to the end of the week. Ms Frame also advised the next work stream for the working group, around dynamic Reserve Capacity Refunds, would be presented to the Working Group during May. The Chair clarified that the IMO would be presenting the material from the RDIWG's deliberations on this matter, including minutes from the discussions of the proposed dynamic refund mechanism.	
8.	**GENERAL BUSINESS** ***PRC_2012_05: Treatment of Negative Balancing Price on the Settlement of Ancillary Services*** The Chair introduced Mr Everett to present the Pre Rule Change Discussion paper on the Treatment of Negative Balancing Price on the Settlement of Ancillary Services. Mr Everett explained that this Pre Rule Change Paper proposes to fix an oversight that was made during the drafting of the Amending Rules for the new Balancing and Load Following markets. Mr Everett noted that a previous rule change had resolved the issue of Verve Energy paying for the privilege of providing Ancillary Services when MCAP was negative. Mr Everett noted that this rule change had not carried through to the Amending Rules resulting from RC_2011_10. Mr Everett noted that this had not been accounted for in the Amending Rules resulting from RC_2011_10. Mr Everett considered that the proposed changes needed to be progressed via the Fast Track Rule Change Process as this is a manifest error. The Chair apologised for this oversight during the drafting of the Amending Rules for the new Balancing market and agreed that this be progressed as a Fast Track Rule Change. *Action Point: Verve Energy to submit the Rule Change Proposal: Treatment of Negative Balancing Price on the Settlement of Ancillary Services (RC_2012_05) via the Fast Track Rule Change Process.* ***Margin Values*** Ms Yang advised the MAC that a consultation paper for the new Margin Values to apply under the new Balancing and Load Following markets will be published by the ERA for consultation in due course. Ms Wang requested confirmation of whether SKM's modelling to prepare these Margin Values had removed negative values. Ms Laidlaw confirmed that this was not the case as SKM had not been modelling enough facilities with a negative price (i.e. wind farms)	**Verve Energy**
CLOSED: The Chair declared the meeting closed at 3.30 pm.		