
Minutes

Meeting No.	50
Location	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 13 June 2012
Time	2.05pm – 5.30pm

Attendees	Class	Comment
Allan Dawson	Chair	
Andrew Everett	Compulsory – Generator	
Geoff Gaston	Discretionary – Generator	
Ben Tan	Discretionary – Generator	(left at 4.35 pm)
Stephen MacLean	Compulsory – Customer	
Steve Gould	Discretionary – Customer	(left at 4.15 pm)
Michael Zammit	Discretionary – Customer	
Corey Dykstra	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	(left at 4.15 pm)
Julian Fairhall	Minister's appointee- Small Consumers' Representative (Proxy)	
Phil Kelloway	Compulsory – System Management	
Neil Gibbney	Compulsory- Network Operator (Proxy)	
Wana Yang	Observer – ERA	
Apologies	Class	Comment
Peter Mattner	Compulsory – Network Operator	
Shane Cremin	Discretionary – Generator	
Suzanne Frame	Compulsory- IMO	
David Murphy	Minister's appointee- Small Consumers' Representative	
Nerea Ugarte	Minister's appointee- Observer	
Also in attendance	From	Comment
Debabrata Chattopadhyay	Market Reform	Presenter (left at 3.05 pm)
Will Bargmann	Synergy	Presenter (left at 3.35 pm)
Brendan Clarke	System Management	Presenter
Fiona Edmonds	IMO	Presenter

Aditi Varma	IMO	Minutes
Greg Ruthven	IMO	Observer
Jenny Laidlaw	IMO	Observer
Courtney Roberts	IMO	Observer
Brendan Ring	Market Reform	Observer (left at 3.05 pm)
Wayne Trumble	Griffin Energy	Observer
Jonathan Zuckerman	Power Systems Consultants	Observer (attended from 4.35 pm to 5.30 pm)

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2.05 pm and welcomed members to the 50th meeting of the Market Advisory Committee (MAC).</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> • Shane Cremin (Discretionary Class member) • Peter Mattner (Compulsory Class member) • David Murphy (Minister's appointee) • Nerea Ugarte (Minister's appointee) • Suzanne Frame (IMO) <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> • Debabrata Chattopadhyay (Presenter) • Will Bargmann (Presenter) • Brendan Clarke (Presenter) • Fiona Edmonds (Presenter) • Aditi Varma (Minutes) • Greg Ruthven (Observer) • Jenny Laidlaw (Observer) • Courtney Roberts (Minutes) • Brendan Ring (Observer) • Wayne Trumble (Observer) • Jonathan Zuckerman (Observer) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 48, held on 18 April 2012, were circulated prior to the meeting. Mr Andrew Everett had provided to the Chair the</p>	

	<p>following proposed change:</p> <ul style="list-style-type: none"> Agenda Item 8: General Business (PRC_2012_05) <p>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. <u>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.</u> Mr Everett noted that the previous rule change had not been carried through to the Amending Rules resulting from RC 2011_10. Mr Everett noted that the Amending Rules resulting from the Rule Change Proposal: Treatment of Negative MCAP on the settlement of Ancillary Services (RC_2009_21) had fixed the issue where MCAP is negative, Verve Energy was paying for the privilege of providing Spinning Reserve.</p> <p>Mr Everett also requested clarification to the sentence in the last paragraph that said referred to the discussion ensued on 'greater value'. The Chair advised Mr Everett that the IMO would listen to the recording again and clarify the sentence.</p> <p>During the meeting no further comments were provided by MAC members and the minutes were agreed to be an accurate reflection of the discussion.</p> <p><i>Action Point: The IMO to amend and publish minutes of Meeting No. 48 on the website as final.</i></p> <p>Mr Neil Gibbney noted that he had provided some hand-written notes to the Chair to be reflected in the minutes of Meeting no. 47 held on 14 March 2012.</p> <p><i>Action Point: The IMO to amend the minutes of Meeting No.47 on the website to reflect Mr Gibbney's recommended amendments.</i></p>	
<p>4.</p>	<p>ACTIONS ARISING</p> <p>The following updates were noted:</p> <ul style="list-style-type: none"> Action item 36 – Mr Greg Ruthven mentioned that this action item would be addressed along with Mr Brendan Clarke's Pre-Rule Change Proposal: Clarification and calculation of Availability Curve (PRC_2012_09). He added that the Availability Curve calculation for this year's Statement of Opportunities (SOO), determined in consultation with System Management and PA Consulting included a load profile that was averaged over the load profiles of last five years. Mr Ruthven also confirmed that an inaugural briefing session for Market Participants was being held on 18 June 2012 on the SOO. Action item 9– Mr Ruthven noted that analysis had been conducted on Relevant Demand using the proposed approach of aggregating the individual loads proposed in PRC_2012_02 and the current approach of determining the Relevant Demand at the Demand Side Programme level. A paper presenting the results of detailed analysis would be provided in 	

	<p>the MAC meeting in July.</p> <ul style="list-style-type: none"> • Action item 43 – The Chair noted that this was an open action item to be updated by the Public Utilities Office. He added that Mr David Murphy had replaced Dr Paul Biggs and was coming up to speed on this issue. He also noted that he had discussed this issue with Ms Anne Nolan. 	
5.	<p>PRESENTATION: PLANNING CRITERION AND FORECASTING 5 YEAR REVIEW</p> <p>The Chair invited Mr Ruthven to introduce the presentation. Mr Ruthven noted that the presentation focused on specifically the 5 year review of the Planning Criteria, which was being conducted by Market Reform for the IMO. He noted that there were two main objectives of the presentation:</p> <ul style="list-style-type: none"> • If a change in methodology was recommended as a result of the review, then the MAC could expect a Rule Change Proposal being submitted later in the year. • The most challenging assumption in the cost-benefit analysis was the cost of unserved energy. The presentation would emphasise this salient point for the consideration of MAC members. <p>Mr Ruthven further added that it is anticipated that a draft report would be published in August and stakeholders would participate in the public consultation process that would include making submissions and a public workshop before the final report is published.</p> <p>Mr Ruthven introduced Mr Dev Chattopadhyay from Market Reform, who proceeded to make the presentation.</p> <p>The following discussion points were noted:</p> <ul style="list-style-type: none"> • Mr Dykstra queried if the analysis on outages was segregated by facility type i.e., baseload, mid-merit and peaking. Mr Chattopadhyay responded that this information was provided in the report. • Mr MacLean queried if analysis had been undertaken on whether the 10% POE forecast was legitimate in accurately representing a one-in-ten year event. Mr Ruthven answered that the review of forecasting processes which had already commenced was tasked with dealing with this question. Mr Geoff Gaston noted that there was a reserve margin of 60% currently in the market resulting from forecasting error which is a cost that is ultimately paid by consumers. He added that analysis should be done on the load profile and the underlying load forecasting. • There was some discussion among MAC members on actual Forced Outage rates and estimated (base) Forced Outage rates shown in the presentation. It was confirmed that the actual Forced Outage rate was higher (at about 3.5%) than the base rate shown in the presentation. • Mr Dykstra questioned if the analysis should be considered a financial analysis instead of a cost-benefit analysis because there was debate if the administered price used in the analysis truly reflected the economic value of capacity. The Chair mentioned that the analysis was related to the Reserve Capacity Requirement and not the current 	

	<p>capacity over-supply situation. Discussion ensued on whether the Reserve Capacity Price used in the analysis included the excess capacity adjustment. Mr Chattopadhyay confirmed that the analysis adjusted for excess capacity.</p> <p>The Chair noted that the Planning Criteria Review and the Forecasting Methodologies Review would be concurrent. He added that separate workshops would be conducted for both but that the recommendations from each review would be considered concurrently by the IMO and the market to ensure that any proposed changes would work appropriately together. He added that the results of these reviews would be used in SOO 2013.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>The IMO to distribute Market Reform's presentation on the planning criterion review to MAC members</i> 	
5a.	<p>PRE- RULE CHANGE PROPOSAL: EARLY ENTRY CAPACITY PAYMENTS (PRC_2012_10)</p> <p>The Chair invited Mr Will Bargmann from Synergy to present the Pre-Rule Change Proposal: Early Entry Capacity Payments (PRC_2012_10). The following discussion points were noted:</p> <ul style="list-style-type: none"> • Mr Dykstra noted his support for the proposal on its merits. He added that focusing on market outcomes would create a need to treat different types of capacity differently. He added that early capacity payments did not incent generators being available early; instead the penalties associated with not being available early are a more significant incentive. Mr Wayne Trumble concurred that the other incentives in the market such as capacity refunds applying after 1 October will drive a generator to enter the market on time. • Mr Zammit said that the Rule Change Proposal would be more appropriate in the Reserve Capacity Mechanism Working Group (RCMWG) which is dealing with Demand Side Management comprehensively. He added that DSP's should be given a chance to present their own analysis and point of view. He added that if early registration was removed universally, then their organisation might support it. • Discussion ensued between members on differences between generators and DSM. • The Chair noted that when a similar proposal from Alinta to remove the ability of DSM to get early entry capacity payments (PRC_2010_30) was considered by the MAC, the IMO had noted that approving the change would require clearly illustrating that the proposed change would not be discriminatory in nature (Market Objective (c)). The Chair noted that it had sought advice on Alinta's proposed amendments and whether it would be discriminatory from Marchmont Hill Consulting. • Discussion ensued on whether there are features of DSM that make them different from generators. The Chair noted that from a technical perspective there might be a difference but that should not 	

	<p>translate to treating them different commercially. Mr Bargmann noted that Synergy had sought legal advice on the discriminatory nature of the proposed rule amendment and was happy to share it with the MAC.</p> <p><i>Action Point: The IMO to distribute the advice of Marchmont Hill Consulting on PRC_2010_30 to MAC members</i></p> <p><i>Action Point: Synergy to distribute to the MAC its full legal advice on the discriminatory nature of the current early entry capacity payments with respect to DSM.</i></p>	
6(a)	<p>MARKET RULES OVERVIEW</p> <p>Ms Jenny Laidlaw mentioned that the original issues log had been split into the rule changes issues log (which logs rules that are disjointed) and a suggestion log (which logs suggestions for market enhancements). She added that suggestions for improvement were being organised into a document under the Market Rules Evolution Program and will be prioritised in the IMO's work program. In response to a question from Mr Andrew Everett, she noted that the suggestions would still be in the list and therefore part of a work program.</p>	
6(b)	<p>RC_2012_08: CONSTRAINED ON AND OFF PAYMENTS FOR NON-SCHEDULED GENERATORS</p> <p>Ms Laidlaw briefed the MAC on this Rule Change Proposal which was currently out for consultation. MAC members agreed that it was a manifest error that should be progressed using the Fast Track Rule Change Process.</p> <p>In response to a query from Ms Wana Yang it was clarified that a Verve Energy Facility dispatched to provide a Dispatch Support Service would not receive Constrained On Compensation in addition to the payment under its Ancillary Service Contract.</p>	
6(c)	<p>PRC_2012_09: CLARIFICATION AND CALCULATION OF AVAILABILITY CURVE</p> <p>Mr Brendan Clarke presented the Pre-Rule Change discussion paper. The following discussion points were noted:</p> <ul style="list-style-type: none"> • Mr MacLean queried if the 8.2% reserve margin is needed during Trading Intervals when the demand is low. Mr Clarke observed that this question did not directly relate to the calculation of the Availability Curve. • Discussion ensued on whether harmonisation of demand-side and supply-side resources in the RCMWG would have any effect on the calculation of the Availability Curve. • MAC members discussed that there is insufficient clarity on how the curve is calculated. Mr Ruthven noted that the approach presented in the Pre-Rule Change Proposal was to use a capacity duration curve that allows for demand plus a margin. • The Chair noted that the current approach is consistent with the Market Rules as they are written. However, the Rule Change Proposal 	

	<p>would add clarity to the rules.</p> <ul style="list-style-type: none"> • Mr Dykstra suggested that the wording of the proposal could be improved. • MAC members agreed that the proposal should be formally submitted into the Standard Rule Change Process after the wording has been improved. <p><i>Action Point: The IMO to work with System Management to improve the clarity of the drafting contained in the proposal for PRC_2012_09 prior to formal submission into the Standard Rule Change Process.</i></p>	
7.	<p>MARKET PROCEDURE CHANGE OVERVIEWS</p> <p>The Chair invited Ms Fiona Edmonds to present the overview. Ms Edmonds noted the following:</p> <ul style="list-style-type: none"> • The IMS Interface Market Procedure (PC_2012_04) had been published on the website on 11 June. • The IMO had put forward a number of changes to the IT Market Procedure (PC_2012_05) required for the implementation of the new systems for the Balancing and Load Following markets. The consultation period for PC_2012_05 will close on 9 July. • System Management’s PSOPs PPCL0022 – Power System Security and Ancillary Services and PPCL0021 Part A- Commissioning and Testing were also under review and due for approval by the IMO. The Procedure Change Report for PPCL0021 Part B – Dispatch was currently being prepared by System Management prior to formal submission to the IMO for approval. <p>In response to a question from Mr Everett on RC_2011_09: Prudential Requirements, Ms Edmonds noted that the IMO would be extending the first submission period deadline to allow for adequate time to prepare and distribute the associated Market Procedure. Ms Edmonds noted that the IMO was conscious that interested parties should be able to take into account the amended Market Procedure when preparing their submissions on RC_2011_09.</p> <p>The Chair noted that a resignation from the MAC had been received from Mr Dykstra on 7th June. He thanked Mr Dykstra for his association with and contribution to the MAC over the last four years. He added that the IMO was seeking MAC members’ approval on appointing Ms Debra Rizzi to the Rules Development Working Group (RDIWG) and Dr Wendy Ng to the Reserve Capacity Mechanism Working Group (RCMWG). He also noted that according to MAC constitution, the IMO would seek nominations for the now vacant position of a Market Customer representative on the MAC and would strive to appoint a new member in time for the July meeting.</p> <p>Mr Dykstra expressed his gratitude for having been part of the MAC and participating in the industry processes.</p>	
8.	<p>WORKING GROUP OVERVIEW</p>	

	<p>The MAC noted the Working Group overview.</p> <p>With regard to the RDIWG update, the Chair noted that the IMO was running the first set of scenarios for the new Balancing and Load Following Market. He added that a participant debrief on Parallel Operations week 2 would be held on Friday 22 June.</p> <p>With regard to the RCMWG update, the Chair noted that a set of recommendations on harmonisation of demand-side and supply-side resources will be presented to the RCMWG in its 12 July meeting. He also noted that RCMWG members had been invited to a workshop on 4 July to work through different options to address the oversupply of capacity.</p>	
9.	<p>CONCEPT PAPER: 2011 OUTAGE PLANNING REVIEW RECOMMENDATIONS – INFORMATION TRANSPARENCY</p> <p>The Chair invited Ms Edmonds to present the concept paper provided for greater transparency of information relating to the outage planning process. The following comments were noted:</p> <ul style="list-style-type: none"> • MAC members questioned if the outage information would be available to the public or if it would be limited to Market Participant Interface (MPI). The Chair responded that summary data would be made available through the IMO website and detailed information would be provided on the MPI. • Mr Dykstra that this was a great marginal step forward but what would be of even more interest to industry are any the refinements to the outage planning process. Mr Kelloway noted that the intent was to publish the information to foster the thinking around processes. He further added that System Management would like to address specific issues around Equipment Lists, Opportunistic Maintenance, timelines etc when considering refinements to the outage planning process. The Chair responded that process related issues would be addressed in phase two of the work that would be presented to the MAC in August/September 2012. • Ms Yang observed that the ERA was also interested in improving the outage planning process to achieve better market outcomes. She added that the ERA had suggested a review with regard to the incentives for improving plant availability in the market. She observed that clause 4.27 in the Market Rules which relates to Reserve Capacity Performance Monitoring currently sets the criteria too high to trigger monitoring issues for the IMO. The Chair also noted that Planned Outages need to be more strongly connected with maintenance. The Chair noted that there are provisions in the rules to reconsider future allocation of capacity credits where a facility has not been available for a significant portion of the year. • Discussion ensued on the ability of System Management to call generators back from Planned Outages early. • MAC members agreed that the concept paper should be converted into a rule change proposal. Discussion also ensued around the IT system costs to System Management associated with implementing 	

	<p>the proposed changes.</p> <p><i>Action Point: The IMO to prepare Rule Change Proposal: Transparency of Outage Information</i></p> <p><i>Action Point: The IMO to provide to MAC members the list of issues being considered in phase 2 (Outage Planning Process review implementation) and MAC members to provide any additional issues they wish to have included on the list for consideration.</i></p>	
10.	<p>GENERAL BUSINESS</p> <p>Mr Kelloway queried the Chair about the status of the Confidentiality List. The Chair responded that the IMO had an obligation under the Market Rules to publish a list on the website. He added that the IMO is currently updating the associated Market Procedure which would be presented to the IMO Procedure Working Group.</p>	
<p>CLOSED: The Chair declared the meeting closed at 5:00 pm.</p>		