



Market Advisory Committee

Agenda

Meeting No.	52
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 8 August 2012
Time:	2.00pm – 5.00pm

Item	Subject	Responsible	Time
1.	WELCOME	Chair	2 min
2.	MEETING APOLOGIES / ATTENDANCE	Chair	2 min
3.	MINUTES FROM MEETING 51	Chair	5 min
4.	ACTIONS ARISING	Chair	10 min
	a) PRC_2012_02: Analysis of impact on Relevant Demand	IMO	15 min
5.	MARKET RULES		
	a) Market Rule Change Overview	IMO	5 min
6.	MARKET PROCEDURES		
	a) Overview	IMO	5 min
7.	WORKING GROUPS		
	a) Overview and membership updates	IMO	5 min
	b) RDIWG Update (verbal)	IMO	5 min
	c) RCMWG Update (verbal)	IMO	10 min
8.	INITIAL MARKET RULES EVOLUTION PLAN ISSUES LIST	IMO	20 min
9.	CONCEPT PAPER: EARLY ENTRY CAPACITY PAYMENTS	SYNERGY	20 min
10.	GENERAL BUSINESS		

Item	Subject	Responsible	Time
11.	NEXT MEETING: 12 September 2012 (2.00-5.00pm)		

Minutes

Meeting No.	51
Location	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 11 July 2012
Time	2.05pm – 4.00pm

Attendees	Class	Comment
Allan Dawson	Chair	
Suzanne Frame	Compulsory - IMO	
Geoff Gaston	Discretionary – Generator	
Ben Tan	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Steve Gould	Discretionary – Customer	
Michael Zammit	Discretionary – Customer	
Nenad Ninkov	Discretionary – Customer	(arrived at 2.30pm)
Peter Huxtable	Discretionary – Contestable Customer Representative	
David Murphy	Small Use Consumers’ Representative	(arrived at 2.20pm)
Julian Fairhall	Minister’s appointee (Proxy)	
John Rhodes	Compulsory – Customer (Proxy)	
Jacinda Papps	Compulsory – Generator (Proxy)	
Phil Kelloway	Compulsory – System Management	
Peter Mattner	Compulsory- Network Operator	
Wana Yang	ERA – Observer	
Apologies	Class	Comment
Andrew Everett	Compulsory – Generator	
Stephen MacLean	Compulsory – Customer	
Nerea Ugarte	Minister’s appointee - Observer	
Also in attendance	From	Comment
Jeff Renaud	EnerNOC	Presenter
Fiona Edmonds	IMO	Presenter
Aditi Varma	IMO	Observer
Jenny Laidlaw	IMO	Observer
Courtney Roberts	IMO	Minutes

Wayne Trumble	Griffin Energy	Observer (arrived 3.25pm)
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Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2.05 pm and welcomed members to the 51st 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"> • Stephen MacLean (Compulsory Class member) • Andrew Everett (Compulsory Class member) • Nerea Ugarte (Minister's appointee) <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> • John Rhodes (proxy for Stephen MacLean) • Jacinda Papps (proxy for Andrew Everett) • Julian Fairhall (proxy for Nerea Ugarte) • Jeff Renaud (Presenter) • Fiona Edmonds (Presenter) • Wayne Trumble (Observer) • Aditi Varma (Observer) • Jenny Laidlaw (Observer) • Courtney Roberts (Minutes) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 50, held on 13 June 2012, were circulated prior to the meeting. The minutes were accepted as a true and accurate record of Meeting No. 50.</p> <p>Ms Jacinda Papps queried the outcome of the IMO listening to the recording of Meeting 48 and clarifying the paragraph in Agenda Item 8 – General Business that was raised by Mr Andrew Everett in relation to the discussion on 'greater value'. Ms Jenny Laidlaw informed Ms Papps that the paragraph related to a discussion on whether a comparison should be expressed as 'the greater of a and b' or 'the greater of a or b', and that after listening to the recording it was decided that the paragraph should be removed.</p>	
4.	<p>ACTIONS ARISING</p> <p>The following comments were noted on action items:</p> <ul style="list-style-type: none"> • Action item 36 – Mr Phil Kelloway raised a query regarding a reference to 	

	<p>a 10% POE peak demand event in 2003/04 that was used in the load curve determination for the Availability Curve in the 2012 Statement of Opportunities (SOO). The Chair requested that System Management contact the IMO to discuss System Management's concerns.</p> <ul style="list-style-type: none"> • Action item 43 – Ms Frame noted that she had discussed the dual fuel issue a week previously with Mr David Murphy, who was yet to arrive at the meeting. Ms Frame advised that Mr Murphy would be providing the MAC with an update on the progress around the implementation of incentives for dual fuel facilities in the Wholesale Electricity Market (WEM) at the August 2012 MAC meeting. • Action item 9 – Ms Suzanne Frame informed the MAC that Mr Greg Ruthven had provided some analysis on the action item in the meeting papers under agenda item 4a. However, as Mr Ruthven was unable to attend the meeting, the presentation would be deferred to the next MAC meeting. Mr Michael Zammit added that EnerNOC had conducted some further analysis and shared the results with Mr Ruthven. • Action item 11 – Mr Kelloway advised that arrangements to ensure that distribution connected generators received 48 hours notice of outages were now in place. Mr Ben Tan queried who the outage notices would come from. Mr Kelloway considered that the advice would probably come from Western Power's Network Operations Control Centre (NOCC). Mr Tan advised that in his most recent discussion with System Management it was agreed that Mr Tan should ignore any outage notice that did not come from Tesla's account manager. Mr Kelloway advised that he would confirm the correct process and advise MAC members of the details at the next meeting. • Action item 18 – Synergy's full legal advice on RC_2012_10 relating to the discriminatory nature of the current early entry capacity payments was distributed to MAC members. Mr Peter Huxtable requested if a electronic copy of the document could be circulated to the MAC. <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>System Management to contact the IMO to discuss System Management's query on a reference to a 10% POE peak demand event for the 2003/2004 year in the 2012 Statement of Opportunities.</i> • <i>Mr Kelloway to confirm who from System Management will notify distribution connected Generators about network outages.</i> • <i>The IMO to circulate an electronic copy of Synergy's legal advice on RC_2012_10 to MAC members.</i> 	<p>SM</p> <p>SM</p> <p>IMO</p>
5a.	<p>MARKET RULE CHANGE OVERVIEW</p> <p>Ms Frame provided an update to the MAC on the current Rule Changes under development.</p> <p>Ms Papps considered that the issue on Theoretical Energy Schedule equations was not yet resolved and so it should not be treated as being out of the issues log. The Chair agreed and confirmed that this was a minor error and the issue was not yet resolved.</p>	

<p>5b.</p>	<p>MARKET RULES EVOLUTION PLAN UPDATE</p> <p>Ms Frame informed the MAC that over the last month she and Mr Dawson had met with a variety of stakeholders in the industry. System Management and the Public Utilities Office (PUO) had been invited to these meetings and had attended when possible.</p> <p>Prior to these meetings, the IMO prepared a list of outstanding issues from the previous Market Rules Evolution Plan conducted in 2009. This list was extended with issues that have been accumulated in the Market Rules Suggestion Log as well as additional suggestions from stakeholders discussed in the meetings. The IMO expects to present a consolidated list of issues at the August 2012 MAC meeting.</p> <p>The Chair noted that a common theme from stakeholders was that a large number of changes had been made to the energy market and that these should be allowed to bed down for a period, although there had been some commentary on a Spinning Reserve market and the timing of gate closure. Similar comments had been received around the work currently being undertaken on the Reserve Capacity Mechanism, in that once this work had been completed a bedding down period would be required. Not many new issues were raised in the discussions.</p> <p>The Chair thanked stakeholders for their contribution to these meetings.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>The IMO to present the consolidated issues list resulting from the Market Rules Evolution Plan meetings to the August 2012 MAC meeting.</i> 	<p>IMO</p>
<p>5c.</p>	<p>PRC_2012_06: CLARIFICATION OF CLAUSE 2.10.2A</p> <p>The Chair invited Ms Fiona Edmonds to present the Pre Rule Change Proposal: Clarification of clause 2.10.2A (PRC_2012_06).</p> <p>Ms Edmonds informed the MAC that this rule change was being progressed to clarify the decision point under clause 2.10.2A and to add further rigor to the IMO's or System Management's decisions on whether to progress a Procedure Change Proposal from a Rule Participant. Ms Edmonds noted that the change to make decisions as to whether to progress Procedure Change Proposals had been originally included in the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10), following discussion at the Rules Development Implementation Working Group (RDIWG) around the increased level of detail that would be included into Market Procedures for the new markets. There had however been an issue identified by the Office of Parliamentary Counsel when drafting clause 2.10.2A to be a Reviewable Decision under the Regulations, that an explicit decision was not made by either the IMO or System Management under this clause (but rather a decision was implicit from the drafting). The IMO and the PUO had subsequently determined to not include clause 2.10.2A as a Reviewable Decision under the Regulations as part of the regulatory changes for</p>	

	<p>RC_2011_10, but rather to progress a separate change to clause 2.10.2A at a later date to include an explicit decision from the IMO and System Management.</p> <p>Ms Edmonds noted that the IMO had prepared PRC_2012_06 to ensure that an explicit decision is made under clause 2.10.2A along with including timelines for making a decision to progress a Procedure Change Proposal and requiring details of the decision to be published on the IMO Web Site. Ms Edmonds also noted that the IMO considered that decisions with respect to the progression of Rule Change Proposals should be similarly subject to Procedural Review and that the IMO would work with the PUO to progress any necessary amendments to the Regulations to reflect these suggested amendments.</p> <p>Ms Papps noted that the Regulations allow for 28 days to request the review of a Reviewable Decision, while the Market Rules only allow for 10 Business Days. Although the Regulations would prevail, Ms Papps suggested that the timings in the Market Rules and the Regulations be brought into alignment.</p> <p>All members supported the formal submission of the proposal into the Fast Track Rule Change Process, subject to the IMO considering the days allowed for a Reviewable Decision.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>The IMO to consider aligning the days to ask for a review of a Reviewable Decision in the Market Rules (10 Business Days) with the days prescribed in the Regulations (28 days).</i> • <i>The IMO to formally submit PRC_2012_06 into the Fast Track Rule Change Process subject to considering the days allowed for a Reviewable Decision.</i> 	<p>IMO</p> <p>IMO</p>
5d.	<p>PRC_2012_11: TRANSPARENCY OF OUTAGE INFORMATION</p> <p>The Chair invited Ms Fiona Edmonds to present the Pre Rule Change Proposal: Transparency of Outage Information (PRC_2012_11).</p> <p>Ms Edmonds noted that a Concept Paper on this issue was presented at the June 2012 MAC meeting. This Pre Rule Change Proposal would clarify the process for publishing outage information in a timely manner and clarifying what that information will comprise.</p> <p>Ms Edmonds explained that a lot of outage related information is already classified as public in either the Market Rules or the Confidentiality List published on the IMO Web Site. For example, Planned Outage schedules are currently public under clause 10.5.1 of the Market Rules. Ms Edmonds explained that PRC_2012_11 clarifies the requirement for System Management to provide all types of outage related information to the IMO for dissemination to the market as soon as practicable after receiving either a request or an update for a Planned Outage. PRC_2012_11 also clarifies what kind of information would be published by the IMO. Ms Edmonds added that the IMO will work with System Management to determine the current</p>	

	<p>structure of the information required under clause 3.18.6 and whether this would be an appropriate format for publication.</p> <p>Mr Kelloway considered that it could take System Management up to 18 months to implement the necessary changes. The Chair replied that he had previously had discussions with Mr Cameron Parrotte about undertaking this work at the end of the work for the Market Evolution Program (MEP). As this work was currently scheduled to finish by 5 December 2012 the Chair considered 18 months would seem a long time for this to be undertaken. Mr Kelloway advised that System Management would take this into consideration and that it would not want to delay this piece of work.</p> <p>Mr John Rhodes requested clarification of the definition of 'public' information and 'published' information. Mr Shane Cremin queried how the public can gain access to 'public' information. The Chair responded that 'published' information is published on the IMO Web Site and 'public' information is available to the public on request.</p> <p>All members supported the Rule Change Proposal and agreed for it to be formally submitted into the rule change process.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>The IMO to formally submit PRC_2012_11: Transparency of Outage Information into the rule change process.</i> 	IMO
5e.	<p>PRC_2012_12: UPDATES TO COMMISSIONING TESTS</p> <p>The Chair invited Ms Fiona Edmonds to present the Pre Rule Change Proposal: Updates to Commissioning Tests (PRC_2012_12).</p> <p>Ms Edmonds advised the MAC that the Pre Rule Change Proposal had been prepared by the IMO in conjunction with Griffin Energy and Verve Energy following identification of two issues relating to the Commissioning Test process under the Market Rules. Ms Edmonds outlined that the first issue related to the application of a civil penalty in situations where a Commissioning Test was requested in a time frame shorter than the 20 days prescribed in the Market Rules. This was a problem, because under the current Power System Operation Procedure (PSOP) for Commissioning and Testing, there was an ability for System Management to approve a Commissioning Test requested within the 20 day timeframe if it had sufficient ability to accommodate that Commissioning Test. By having System Management approve the Commissioning Test, the Market Participant is subject to a civil penalty, which the IMO considers perverse as System Management has sufficient scope to approve the Commissioning Test and there are no implications for system security or reliability.</p> <p>The second aspect of the proposal was around providing more flexibility in terms of Commissioning Test plans. Currently, when Market Participants apply for a Commissioning Test they provide an indicative test plan, which includes a daily schedule of what is to be undertaken during the period over which they are undertaking the Commissioning Tests. The current Market Rules</p>	

	<p>state that if a Market Participant is undertaking a Commissioning Test and on the last day it discovers that it actually needs to undertake a further test the following day, it is precluded from doing so. In this case, the Market Participant would need to go back and apply with the 20 Business Days, advance application process which is an unworkable process at the moment.</p> <p>Ms Edmonds noted that the IMO has worked with Verve Energy and Griffin Energy to try and create more flexibility around this process, but at the same time trying to strike a balance, so that System Management has the tools available to it to ensure that system security is not threatened. PRC_2012_12 proposes that a request for a Commissioning Test would be made seven Trading Days before the event is scheduled to take place and System Management would have two Trading Days to make a decision. This would bring the approval process closer to real time than the 20 Business Day requirement that is currently in place, but System Management would be able, if it did not consider it had sufficient ability to adequately consider the a request, to reject an application made in a time frame shorter than 20 Business Days.</p> <p>Ms Edmonds added that Griffin Energy had requested to reduce the timeframes from the seven Trading Days that the IMO had proposed. Ms Edmonds sought the views of members on moving those dates forward.</p> <p>Ms Papps noted that Verve Energy was very appreciative that the IMO had worked with it on this issue. Verve Energy's main concern has been around revisions to Commissioning Plans. Verve Energy was comfortable with the 20 Business Day timeframe for a new Commissioning Plan but considered more flexibility is needed when there are changes to the original plan.</p> <p>Mr Cremin and Mr Kelloway queried whether the IMO would consider defining 'Significant Maintenance'. Ms Edmonds responded that the IMO had considered this previously but had found that 'Significant Maintenance' is used in a number of areas of the Market Rules in slightly different contexts. This would be a substantial piece of work to get the definition to apply universally. Ms Edmonds noted that the approach System Management has taken in defining Significant Maintenance in a PSOP appeared to be working.</p> <p>Mr Tan queried if further work was planned around the interaction between commissioning and the Balancing Market. Mr Tan raised a number of concerns about the impacts of an unregistered Facility commissioning outside of the Balancing Market, and considered that it was currently unclear how the process should work and how participants interact with System Management in these situations.</p> <p>The Chair acknowledged Mr Tan's concerns and considered that the IMO should look into the issues further. However, the Chair confirmed that the intention was for all Facilities to commission within the Balancing Market.</p> <p>The MAC agreed for PRC_2012_12 to be formally submitted into the rule change process, subject to the IMO recognising that there are further issues with the process of commissioning and testing to be looked at separately.</p>	
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	<p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>The IMO to formally submit PRC_2012_12 into the Standard Rule Change Process.</i> 	IMO
6.	<p>MARKET PROCEDURE CHANGE OVERVIEW</p> <p>Ms Frame noted that the first submission period for the Rule Change Proposal: Prudential Requirements (RC_2011_09) had been extended to allow sufficient time to prepare the associated Market Procedure for the IMO Procedure Change Working Group and to allow for both processes to run in parallel.</p> <p>The MAC noted the overview of recent and upcoming procedure changes.</p>	
7a.	<p>WORKING GROUP OVERVIEW</p> <p>The MAC noted the Working Group overview and approved the request for Ms Papps to replace Mr Andrew Everett on the IMO Procedure Change Working Group as Verve Energy's representative.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>The IMO to update the membership details in the IMO Procedure Change Working Group's Terms of Reference to replace Mr Andrew Everett with Ms Jacinda Papps and update the website accordingly.</i> 	IMO
7b.	<p>RDIWG UPDATE</p> <p>Ms Frame provided an update on the RDIWG and advised the MAC that the final meeting is scheduled for 9 August 2012. The meeting will be followed by refreshments to thank members for their contribution to the Working Group.</p> <p>The MAC was informed that there will be an update on the progress of the new Balancing Market and that this would be provided to the MAC rather than just the RDIWG.</p> <p>Mr Rhodes requested if there had been any review of information to date given that the new Balancing Market has been live for almost a month. The Chair advised that the IMO Market Operations team have scheduled a weekly review of performance of the Balancing and Load Following Markets. One was held the previous Friday which followed on from regular Friday meetings that the IMO held during the parallel run which was conducted in June. The idea of holding these weekly Friday meetings was to review those performances and provide an update on the progress. The Chair invited the MAC to contact Mr Bruce Cossill to attend if they are interested.</p> <p>The Chair gave a brief update on how the Balancing Market was going. He noted that there had been some issues around load forecasts, where the forecast price was not reflecting the final prices. The Chair informed the MAC that the IMO was working with System Management on this. System Management was trying to improve its load forecasts so that the forward price signals could be seen more readily in the market. There also had been a</p>	

	<p>couple of administrative issues with Participants offering into the market. One participant had missed for a six hour window, a volume of generation, which as a result affected the price in one six hour block. The Participant had missed out on their gate closure and was unable to modify even though it recognised that there was an error. Other issues were related to out of merit dispatch and errors with providing dispatch instructions Overall from a technology perspective, it was working reasonably well and the IMO had not had any issues to report.</p> <p>Mr Kelloway informed the MAC that there had been a few performance issues and the spreadsheet that System Management had been using had crashed on a few occasions. System Management had found that there were a number of generators clustered around the marginal unit which resulted in generators getting Dispatch Instructions more than anticipated. Mr Kelloway explained that it would take time for the market to get comfortable with it and that System Management were awaiting the dispatch planning tool and the real time dispatch engine. He added that the recent unexpected cold weather was also putting pressure on prices.</p>	
7c.	<p>Reserve Capacity Mechanism Working Group (RCMWG) UPDATE</p> <p>Ms Frame provided an update on the RCMWG and advised the MAC that there was a half day workshop on 4 July 2012 which provided the members with an opportunity to view alternative options in relation to dealing with the current oversupply of capacity. Mr Mike Thomas facilitated the half day workshop which allowed members to work through examples, voice opinions and view the outcomes that could be achieved. She added that Mr Thomas would present a summary of the outcomes of the half day work shop to the next RCMWG meeting which was scheduled for the next day.</p> <p>With regards to harmonisation of demand and supply side sources, the working group gained agreement in principle at the May meeting. Dr Richard Tooth would present the recommended solution in a paper at the next RCMWG meeting . The paper would also include recommendations around fuel requirements. She noted that the working group would be considering the Dynamic Refunds Mechanism next; it would involve some history and members would be invited to discuss and give their views.</p>	
8.	<p>DEMAND SIDE MANAGEMENT BRIEFING</p> <p>The Chair invited Mr Jeff Renaud, Director of EnerNOC across Australia/New Zealand to present on Demand Side Management (DSM).</p> <p>The following discussion points were noted:</p> <ul style="list-style-type: none"> • Mr Shane Cremin questioned if EnerNOC got any monetary benefit for providing significant value to the network. Mr Renaud explained that cooperating with the network providers has to be at the core of the DSM business. He added that the network side of the business is not given much consideration in the Market Rules and that the majority value for DSM comes out of the capacity market. • The Chair queried about the savings made in peak demand as a result of demand response, to which Mr Renaud responded that in many cases overnight lighting would be switched off which doesn't affect 	

	<p>the peak but provides savings via energy efficiency.</p> <ul style="list-style-type: none"> • Mr Cremin questioned the level of capacity payments between other market and WEM. Mr Renaud answered that the payment differs across markets and the general range would be anywhere between \$40,000 to \$130,000 per MW. He added that in his experience, the 2012/13 and 2013/14 capacity payments in WEM were relatively generous compared with international markets. There was further discussion on whether DSM programs get network service payments in addition to capacity payments. Mr Renaud responded that there were no jurisdictions in his knowledge that got a network payment and a capacity payment simultaneously. • Mr Nenad Ninkov questioned whether from a system security point of view DSM was seen as equivalent to generation in the United States. Mr Renaud explained that that was indeed the case and that was why it got an equivalent payment. He added that in most US markets, DSM was treated in line with what has been proposed in the RCMWG, which is unlimited availability whenever the system was in an Emergency Operating State. • Mr Renaud informed the MAC that EnerNOC was working on providing telemetry to System Management for complete visibility of available DSM facilities. 	
9.	<p>GENERAL BUSINESS</p> <p><i>RC_2011_02: Reassessment of Allowable Review during a Review Period:</i></p> <p>Ms Frame advised the MAC that this Rule Change Proposal was submitted in 2011 which was initiated from the ERA in relation to the reassessment of allowable revenue.</p> <p>The Chair provided an overview of the issues that ERA raised in the original Rule Change Proposal, which was initiated in response to the situation where the MEP project failed to trigger a Declared Market Project, and the ERA were not in a position to respond to a direct request from the IMO to make an assessment of the project.</p> <p>Ms Frame outlined that in the Draft Rule Change Report, the IMO Board sought the views of Market Participants on their concerns around specific elements of the changes relating to the proposed thresholds. It was noted that in the second submission period there were no submissions received in relation to the IMO Board's specific request.</p> <p>This Rule Change was approved by Minister on 3 July 2012 however, the Minister did note that IMO should consider undertaking further consultation to identify any additional amendments relating to the provisions needed to be in place before the amending rules commence on 1 July next 2013.</p> <p>Ms Frame requested the advice of the MAC to see if members would like the IMO to consider any further amendments in relation to these provisions in order to fulfil the request of the Minister. Ms Frame noted that as the Rule Change had already been approved by the Minister, any further amendments to the provisions would require a new Rule Change Proposal since the Market Rules do not contemplate the ability to undertake further consultation on a</p>	

	<p>Rule Change that has already been approved.</p> <p>Ms Frame advised the MAC that The IMO Board considered the original Rule Change Proposal as proposed by ERA, but modified the proposed 10% threshold for Allowable Revenue to remain at 15%, while incorporating the recommended 10% to a Capital Expenditure threshold.</p> <p>Ms Wana Yang explained that throughout the process the ERA believed to have full support from the Market for their Rule Change and that she did not believe that the end result reflected the right outcome.</p> <p>The Chair responded that the IMO Board requested the Market's views on their draft decision which was presented in the Draft Rule Change Report in which no submissions were received in the second consultation period.</p> <p>Discussion ensued where a number of MAC members clarified that the request from the Board had been made at Draft Rule Change Report stage and had been subject to a full consultation period; where no submissions were received on the matter.</p> <p>The Chair confirmed that if a project half the size of MEP was initiated today it would trigger the threshold for a Declared Market Project, and highlighted that while the IMO Board had made the decision, the ultimate outcome was subject to Ministerial Approval.</p> <p>There was general acknowledgment from the MAC that the Rule Change had significantly improved governance; however Ms Yang reiterated her concerns with maintaining the 15% Allowable Revenue threshold.</p> <p>The Chair acknowledged Ms Yang's concerns and offered the opportunity for the ERA and Secretariat to meet with the IMO Management and IMO Board to discuss the issue.</p> <p>No further issues were raised on this matter and the Chair welcomed the ERA and the IMO to discuss this further offline if necessary.</p>	
CLOSED: The Chair declared the meeting closed at 4:00 pm.		



Agenda item 4: 2012 MAC Action Points

Legend:

Shaded	Shaded action points are actions that have been completed since the last MAC meeting.
Unshaded	Unshaded action points are still being progressed.
Missing	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	Underway. Currently scheduled to go to the October MAC.
43	2011	The Public Utilities Office to provide the MAC with an update on progress around the implementation of incentives for dual fuel facilities in the Wholesale Electricity Market.	PUO	Dec	PUO to provide verbal update to Aug MAC.
10	2012	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	Apr	Underway. The IMO notes that it will work through the issues raised during the 18 April 2012 MAC meeting with Western Power over the upcoming

#	Year	Action	Responsibility	Meeting arising	Status/Progress
					months.
11	2012	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.	SM	Apr	SM to provide update at August MAC.
22	2012	System Management to contact the IMO to discuss System Management's query on a reference to a 10% POE peak demand event for the 2003/2004 year in the 2012 Statement of Opportunities.	SM	Jul	Underway.
23	2012	Mr Kelloway to confirm who from System Management will notify distribution connected Generators about network outages.	SM	Jul	Underway
24	2012	The IMO to circulate an electronic copy of Synergy's legal advice on RC_2012_10 to MAC members	IMO	Jul	Completed. Circulated via email on 26 July 2012.
25	2012	The IMO to present the consolidated issues list resulting from the Market Rules Evolution Plan meetings to the August 2012 MAC meeting.	IMO	Jul	To be presented to the August meeting.
26	2012	The IMO to consider aligning the days to ask for a review of a Reviewable Decision in the Market Rules (10 Business Days) with the days prescribed in the Regulations (28 days).	IMO	Jul	Underway.
27	2012	The IMO to formally submit PRC_2012_06 into the Fast Track Rule Change Process subject to considering the days allowed for a Reviewable Decision	IMO	Jul	Underway.
	2012	The IMO to progress PRC_2012_11: Transparency of Outage Information into the Standard Rule Change Process	IMO	Jul	Completed. Formally submitted on 30 July 2012. First submission period is due to close on 10 September 2012.
	2012	The IMO to progress PRC_2012_12: Updates to Commissioning Tests into the Standard Rule Change Process.	IMO	Jul	Completed. Formally submitted on 25 July 2012. First submission period is due to close on 5 September 2012.

#	Year	Action	Responsibility	Meeting arising	Status/Progress
	2012	The IMO to update the membership details in the IMO Procedure Change Working Group's Terms of Reference to replace Mr Andrew Everett with Ms Jacinda Papps and update the website accordingly.	IMO	Jul	Completed.



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 August 2012
Fast track with Consultation Period open	0
Standard Rule Changes with 1st Submission Period Open	5
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)	0
Standard Rule Changes with 2nd Submission Period Open	1
Standard Rule Changes with 2nd Submission Period Closed (final report being prepared)	0
Rule Changes - Awaiting Minister's Approval and/or Commencement	1
Total Rule Changes Currently in Progress	5

Potential changes logged by the IMO- Not yet formally submitted	June	July
High Priority (to be formally submitted in the next 3/6 months)	0	1 (+1/-0)
Medium Priority (may be submitted in the next 6/12 months)	20	20 (+0/-0)
Low Priority (may be submitted in the next 12/18 months)	22	25 (+3/-0)
Potential Rule Changes (H, M and L)	42	46

The changes in the rule change issues log from June to July are outlined below:

Priority	Issue
High	<p>In:</p> <ul style="list-style-type: none"> • Commissioning: The IMO has identified that under the new balancing market design the current restrictions of four months for commissioning of new generating system is no longer plausible or appropriate. <p>The removal under the new Balancing market of the ability for a new generating system to make a commercial decision to commission directly in the energy market means that after the four month commissioning period a Facility which still needs to undertake any commissioning activities will be unable to do so. A Market Participant in this situation will be exposed to the potential application of Civil Penalties if they undertake commissioning activities without having an approved Commissioning Test. The IMO considers it is not appropriate to leave these facilities without a mechanism to finish their required tests and enter the market.</p> <p>Further given the fundamental shift in the markets approach to ensuring that a Facility adheres to its Resource Plan the IMO does not consider the four month restriction on the Commissioning Test Period for a new generating system continues to be warranted.</p> <p>Out:</p> <p>N/A</p>
Medium	N/A
Low	<p>In:</p> <ul style="list-style-type: none"> • Balancing Submissions – Unavailability Declaration: Section 7A.2 and the Glossary definition of Balancing Submission need amendment to clarify how any “unavailable” component of the Facility’s Sent Out Capacity must be included in a Balancing Submission. Clause 7A.2.4(a) requires a Balancing Submission to “be in the manner and form prescribed and published by the IMO”. The IMO’s Balancing and LFAS Submissions User Guide and File Exchange specifications prescribe how an unavailable quantity should be reported in a Balancing Submission. However, these instructions appear to be in conflict with the definitions of a Balancing Submission and a Balancing Price-Quantity Pair in the Glossary, which imply that Balancing Price-Quantity Pairs with \$/MWh prices are required for the full sent out capacity of a Facility. • Forecast VEBP Energy Requirements: The forecast of the requirements for energy in the Verve Energy Balancing

	<p>Portfolio provided under clause 7.6A.2(c)(i) does not exclude the expected output of Scheduled Generators that are Stand Alone Facilities. Clause 7.6A.2(c)(i)(1) needs to be modified to include these Facilities in the same way that Non-Scheduled Generators that at SAFs are included in clause 7.6A.2(c)(i)(2).</p> <ul style="list-style-type: none"> • Tolerance Range: Clause 7.10.6A and 7.10.7 refer to ‘a request under 7.10.5’. Previously, this meant System Management requesting a generator to cease its non-compliant behaviour. This piece of 7.10.5 has been removed, and the only remaining request is for an explanation of the deviation. 7.10.6A and 7.10.7 don’t appear to have been updated for this, with the result that 7.10.6A asks for an explanation of why they cannot provide an explanation, and 7.10.7 would appear to exempt System Management from telling the IMO about the deviation if the Market Participant has provided an explanation. <p>Out:</p> <ul style="list-style-type: none"> • N/A
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The IMO also notes that it keeps a log of Minor and Typographical issues and Rule Change Suggestions that is updated on a regular basis. The Issues contained within the Minor and Typographical Log are collated and submitted in batches during the year. Rule Change Suggestions contained on the IMO’s log form the basis for the Market Rules Evolution Plan.

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

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2011_09	15/05/2012	Prudential Requirements	IMO	Submissions close	24/08/2012
RC_2012_09	27/07/2012	Clarification and Calculation of Availability Curve	System Management	Submissions close	07/09/2012
RC_2012_10	22/06/2012	Limits to Early Entry Capacity Payments	Synergy	Submissions close	03/08/2012
RC_2012_11	30/07/2012	Transparency of Outage Information	IMO	Submissions close	10/09/2012
RC_2012_12	25/07/2012	Updates to Commissioning Test Plans	IMO	Submissions close	05/09/2012

Standard Rule Change with Second Submission Period Open

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2012_04	24/04/2012	Consequential Outage Correction	Tesla Corporation	Submissions Close	02/08/2012

Standard Rule change Awaiting Commencement

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2011_02	10/03/2011	Reassessment of Allowable Review during a Review Period	ERA	Commencement	01/11/2012



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

Legend:

Shaded	Shaded rows indicate procedure changes that have been completed since the last MAC meeting.
Unshaded	Unshaded rows are procedure changes still being progressed.
Red Text	Red text indicates any updates to information

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
IMO Procedure Change Proposals					
PC_2011_04	Prudential Requirements	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Include some minor and typographical amendments to improve the integrity of the Market Procedure; • Include amendments required as a result of the Pre Rule Change Proposal: Prudential Requirements (PRC_2011_09) and <ul style="list-style-type: none"> ○ RC_2010_36 Acceptable Credit Criteria; and ○ RC_2011_04 List of entities meeting Acceptable Credit Criteria 	<ul style="list-style-type: none"> • The amended Market Procedure: Prudential Requirements was presented alongside the Pre Rule Change Proposal: Prudential Requirements (PRC_2011_09) at the December MAC. • The IMO extended the first submission period for RC_2011_09 until 24 August 2012 to allow sufficient time for the Working Group (and other interested parties) to 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	TBC

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
			consider the amendments to the Market Procedure. The IMO considered this necessary as details contained within the revised Market Procedure as required to allow interested parties an ability to provide formal comment on the proposed amended methodology and processes to calculate Prudential Obligations (as contained in RC_2011_09 and the amended Market Procedure)		
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"> • Reflect the IMO's new format arising from its Market Procedures project; • Include some minor and typographical amendments to improve the integrity of the Market Procedure, including re-ordering some sections; and • Include both reviews required under clause 4.5.15 of the Market Rules (Planning Criterion and forecasting processes). 	<ul style="list-style-type: none"> • The IMO is currently updating the Market Procedure following the 2 February 2011 working group meeting. 	<ul style="list-style-type: none"> • Updated procedure to be presented back to working group for further discussion. 	TBA
TBA	Participant Registration and Deregistration	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Revise the Market Procedure to provide more details of the relevant processes, including restructuring the Market Procedure to better 	<ul style="list-style-type: none"> • The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
		<p>present the process;</p> <ul style="list-style-type: none"> • Reflect the new MPR system; • Ensure consistency with the Amending Rules from the Rule Change Proposal: Change of Review Board Name (RC_2010_18) 			
TBA	Facility Registration, Deregistration and Transfer	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Reflect the new MPR system; • Revise the Market Procedure to provide more details of the relevant processes including: <ul style="list-style-type: none"> ○ restructuring the Market Procedure to better present the process; ○ providing further details of the consultation processes with System Management; ○ 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 ○ reflect the new processes for digital certificates • Ensure consistency with the Amending Rules from the following Rule Change Proposals; <ul style="list-style-type: none"> ○ Curtailable Loads and Demand Side Programmes (RC_2010_29); and ○ Change of Review Board Name (RC_2010_18), <p>Including the proposed Amending Rules under</p>	<ul style="list-style-type: none"> • The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
		the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10)			
TBA	Settlement	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Ensure consistency with the Amending Rules from the following Rule Change Proposals: <ul style="list-style-type: none"> ○ Settlement in Default Situations (RC_2010_04) ○ Change of Review Board Name (RC_2010_18); ○ Minor and typo (RC_2010_26) ○ Settlement Cycle Timelines (RC_2010_19) ○ Acceptable Credit Criteria (RC_2010_36) 	<ul style="list-style-type: none"> • The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	
TBA	Meter Submission Data	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Clarify that the Procedure is part of the Settlement Market Procedures; • Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	<ul style="list-style-type: none"> • The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> • To be discussed by the IMO Procedures Working Group 	
TBA	Capacity Allocation Credit	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Clarify that the Procedure is part of the Settlement Market Procedures; 	<ul style="list-style-type: none"> • The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
		<ul style="list-style-type: none"> Ensure consistency with amendments to the Market Rules which have occurred since Market Start 			
TBA	Intermittent Load Refund	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	<ul style="list-style-type: none"> The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group 	
TBA	Loss Factors	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; and Better clarify the processes in the Market Procedure. Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	<ul style="list-style-type: none"> The IMO is currently working with Western Power to clarify some discrepancies between the Market Rules and Market Procedure 	<ul style="list-style-type: none"> To be discussed by the IMO Procedures Working Group 	
PC_2012_07	Certification of Reserve Capacity	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Ensure consistency with the Amending Rules under the following Rule Change Proposals: <ul style="list-style-type: none"> Certification of Reserve Capacity (RC_2010_14); Curtailed Loads and Demand Side Programmes (RC_2010_29), <p>Including the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market</p>	<ul style="list-style-type: none"> The IMO is currently completing an internal review of the revised Market Procedure which will be completed by Mid-July. 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group during July 	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
		(RC_2011_10)			
TBA	Individual Reserve Capacity Requirements	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	<ul style="list-style-type: none"> • The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	
PC_2012_06	Declaration of Bilateral Trades and the Reserve Capacity Auction	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Ensure consistency with the Amending Rules from the following Rule Change Proposals: <ul style="list-style-type: none"> ○ Curtailable Loads and Demand Side Programmes (RC_2010_29); ○ Removal of Network Control Services Expression of Interest and Tender Process from the Market Rules (RC_2010_11); and ○ Certification of Reserve Capacity (RC_2010_14). 	<ul style="list-style-type: none"> • The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	
TBA	Reserve Capacity Performance Monitoring	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Ensure consistency with the Amending Rules from the Rule Change Proposal: Reserve Capacity Performance Monitoring (RC_2009_19) 	<ul style="list-style-type: none"> • The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	
TBA	Treatment of Small Generators	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its 	<ul style="list-style-type: none"> • The IMO is currently revising the Market 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures 	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
		Market Procedures project; <ul style="list-style-type: none"> Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	Procedure	Working Group	
TBA	Reserve Capacity Testing	The proposed updates are to: <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Reflect the new Temperature Dependence Curve Ensure consistency with the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10) 	<ul style="list-style-type: none"> The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group 	
PC_2012_08	Maximum Reserve Capacity Price	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).	<ul style="list-style-type: none"> The IMO is currently completing an internal review of the revised Market Procedure which will be completed by Mid-July. 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group during July 	
TBA	Information Confidentiality	The proposed updates are to: <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; 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 	<ul style="list-style-type: none"> The IMO is currently revising the Market Procedure 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group 	
PC_2012_05	IT Interface – System Overview and requirements	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)	<ul style="list-style-type: none"> The IMO is currently preparing the Procedure Change Report 	<ul style="list-style-type: none"> Procedure Change Report published 	6 August 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
System Management Procedures WG	Active	Jul 07	Ongoing	12/12/2011	TBA
IMO Procedures WG	Active	Dec 07	Ongoing	26/05/2011	TBA
Rules Development Implementation WG	Active	Aug 10	Ongoing	07/06/2012	19/09/2012
Reserve Capacity Mechanism WG	Active	Feb 12	Ongoing	12/07/2012	16/08/2012

Market Rules Evolution Plan

1. BACKGROUND

The purpose of this paper is to provide an initial issues list for consideration and prioritisation by the Market Advisory Committee (MAC) to form the basis of the Market Rules Evolution Plan for the Wholesale Electricity Market Rules (Market Rules) for the 2013-2016 Review Period. Since market start the IMO and Rule Participants have been focused on refining the Market Rules, and have periodically identified areas which require review and further development. These issues are then prioritised based on advice provided by the MAC in the Market Rules Evolution Plan and incorporated into the IMO work program.

The most recent Market Rules Evolution Plan (attached) was published in June 2009 for the period 2009 to 2013, and the Market Evolution Program (MEP) was subsequently initiated to address the following prioritised issues.

- Pricing and provision of Balancing
- Provision of Load Following Services
- Operation of reserve capacity refunds, and
- Operation of the STEM.

With the implementation of new Competitive Balancing and Load Following Markets it is timely to review the previous Market Rules Evolution Plan and assess which issues have been resolved and which remain, and to identify any new issues.

The IMO has initiated this process by undertaking a series of initial meetings with industry stakeholders to consult on the issues which are considered important and warrant inclusion on the Market Rules Evolution Plan for the coming Review Period.

This year the IMO invited representatives of both the Public Utilities Office (PUO) and System Management to attend the initial discussions with stakeholders.

There was a consistent theme among stakeholders at these initial discussions that a significant amount of change had either been recently implemented or was in the process of being implemented in the market, and that a period of consolidation may be appropriate to allow these changes to bed in.

In general, the majority of new issues which have been identified or issues which remain on the list for prioritisation are of a lesser magnitude and lower level of complexity than many of those which were in the previous Market Rules Evolution Plan.

2. OVERVIEW OF PROGRESS TO DATE

The IMO has reviewed the Market Rules Evolution Plan (2009-2013) and an update on the status of each issue is provided below:

Issue	Status
Improved Balancing Mechanism	Completed and new suggestions recorded
Introducing Markets in Ancillary Services	Completed for Load Following
Review of Reserve Capacity Mechanism (RCM)	RCM Review completed, implementation of recommendations in progress
Closer alignment of gas and electricity nominations	Considered and rejected
Intermittent Loads	Outstanding
Market Rule Change Process	Outstanding
Energy Price Limits	Outstanding
Improvements to STEM	Completed
Review of fuel availability / requirements	In Progress
Treatment of new small generators	Outstanding
Calculation of loss factors	Outstanding
Settlement simplification	Outstanding
Forced Outage conversion	In Progress
Ability to use Resource Plan as a portfolio	Completed

3. ITEMS IN PROGRESS

The key issues which are currently in the process of being either currently considered or implemented in the 2012/13 financial year and will therefore not feature in the 2013-2016 Market Rules Evolution Plan include:

- The implementation of the recommendations from the Five Year Outage Planning Review which was completed by PA Consulting in 2011. One Rule Change Proposal to improve the transparency of information around outages has already been submitted into the formal process, and the Phase 2 of the Outage Planning Process improvements is currently under development
- The implementation of the recommendations from the Reserve Capacity Mechanism Review which was completed by the Lantau Group in 2011. Issues which are currently being addressed by the RCM Working Group include:
 - The current oversupply of capacity in the WEM
 - Harmonisation of demand and supply side sources of peaking capacity
 - Implementation of a dynamic refund mechanism
 - Refinement of fuel supply requirements
 - Refinement of the method for calculating Individual Reserve Capacity Requirements
 - The impact of forecasting inaccuracy on the Reserve Capacity Requirement
- A Five Year Review of the Reliability Criterion
- A Five Year Review of the IMO's demanding forecasting processes
- A Review of the Energy Price Limits Review frequency
- The development and progression of the Rule Change Proposal: Ancillary Services Payment Equations (PRC_2010_27) which proposes that the "causer pays" principle should be applied

and any incremental Load Following costs attributed to intermittent generation should be recovered from Intermittent Generators.

4. MARKET RULES EVOLUTION PLAN (2013-2016) INITIAL ISSUES LIST

The outstanding matters plus several new suggestions for enhancement that have been recorded in the Market Development Rule Suggestion Log for consideration are summarised below:

Issue	Explanation	Source
Intermittent Loads	A number of issues have been identified with respect to the provisions of the Market Rules related to Intermittent Load refunds. This was identified in the original Market Rules Evolution Plan. This noted that the Market Rules relating to the Intermittent Load maximum nominated Reserve Capacity Requirements be reviewed to ensure that the Market Rules cannot be misconstrued as allowing participants to completely avoid IRCR charges for Intermittent Loads by setting the requirements to either 0 or a number lower than the actual requirement of the loads in the event of a generator failure.	MREP 2009-2013
Market Rule Change Process	Under the current Market Rules, a standard rule change process takes a considerable time to complete. A number of Market Participants have commented on this process in various forums over the years. While it is appropriate that the rule change process proceeds in an efficient and timely manner, it should also provide sufficient time for consultation and analysis. Further, some rule changes would be more complex while others would be simpler and a single timeline may not always deliver efficient outcomes. The IMO considers that the efficiency of the Market Rule Change processes should be examined with the objective to streamline the existing prescribed timelines. Any changes to the processes and timelines should provide sufficient flexibility to allow the IMO Board to consider proposed Rule Changes in Session.	MREP 2009-2013
Treatment of new small generators	Section 4.28B of the Market Rules outlines the Reserve capacity rules for the treatment of new small generators. The section is applicable to Registered Facilities to which the following conditions apply: <ul style="list-style-type: none"> the Facility is a Non-Scheduled Generator and has commenced operation; and the Facility has a nameplate capacity not exceeding 1 MW. It has been suggested that the threshold for this section be increased from the 1MW nameplate capacity.	MREP 2009-2013
Calculation of loss factors	By June each year each Network Operator must calculate and provide to the IMO Loss Factors for each connection point in their Network. It has been noted that this is an often time consuming and expensive process to undertake. It has been suggested that this process could be streamlined to make it more efficient while not losing the integrity of the process.	MREP 2009-2013
Settlement simplification	A number of participants have commented that the complexity in the Market Rules around market settlements may benefit from simplification.	MREP 2009-2013
Reviews	The IMO undertakes a number of reviews (e.g. Energy Price Limits, Margin Values) which require input assumptions for modelling, e.g. fuel costs, heat rates, O&M costs, etc. Currently the IMO is unable to request confidential operational data from Market Participants for use in these reviews. The Market Rules could be enhanced so that the powers of the IMO to request actual operational data from Market Participants are extended to allow	IMO & ERA

	the request of relevant data (on a confidential basis), to provide more accurate inputs to the modelling processes.	
Introducing Market in Spinning Reserve	Suggestions have been expressed at MAC that the introduction of a Spinning Reserve Market will increase competition in the WEM.	Multiple Stakeholders
Transition to half hour gate closure	It has been suggested that a half hour gate closure would lead to more efficient market outcomes.	ERM Power
Participation of DSM in Balancing	The RCMWG has explored the concept of DSM participation in Balancing and it has been proposed to include this on the next MREP for consideration.	RCMWG
Market Fees	Concerns have been expressed by MAC members around the exemption of Demand Side Aggregators from Market Fees. The IMO notes that there may be benefit in a wider review around Market Fees including allocation of fees to non-energy producing capacity facilities (e.g. peaking capacity) .	Multiple Stakeholders
LoadWatch Data Publication	The IMO considers an obligation should be included in the Market Rules for System Management to deliver LoadWatch data to the IMO each Monday prior to noon. The required data would include forecast min and max temperature, and forecast system load, for weekdays. The obligation on the IMO would be to publish the LoadWatch report each Monday.	IMO & ERA
Emissions Intensity Index (EII)	Amendments to the Market Rules have been proposed to formalise the provision of emissions data by Market Participants to the IMO and the publication by the IMO of an Emissions Intensity Index for the WEM.	IMO
Additional Improvements to the Balancing Mechanism	<ul style="list-style-type: none"> Remove requirement to submit resource plans; Investigate removal of STEM submissions requirement, or allow multiple STEM windows catering for multiple STEM transactions within the trading day, aligned to the balancing windows; Investigate closer to real time bilateral nominations/updates/adjustments; Link between balancing submissions and Facility limit so that a Balancing Submission may contain more capacity than the Facility limit but not less; and Timing of submissions: consider starting at 9am or 10am instead of 8am. 	Multiple Stakeholders
Review of Spinning Reserve calculation and cost application	The design of the Balancing market, with intra-interval dispatch instructions, in combination with the current Spinning Reserve cost regime (a fixed charge per block) appears at odds with creating an efficient market. Suggestion to review the Spinning Reserve regime with a view to making it more granular to combat regular per-interval fixed costs.	Griffin
Remove some of the uncertainty around Non Temperature Dependent Loads (NTDLs)	Given NTDLs have a much lower capacity ratio than Temperature Dependant Loads (TDLs), if a new NTDL is created in the Capacity Year this changes the TDL ratio for all customers. This ratio variation could be minimised by confirming NTDL status for a Capacity Year in Year 1 of the Reserve Capacity Cycle. A simplification would be to disallow changes from TDL to NTDL within a Capacity Year, allowing these changes only in a future Capacity Year.	Synergy
New Loads	The non-arrival of new loads (allowed for in the Statement of Opportunities) places a capacity cost onto existing loads as the capacity credited for the new load which did not arrive is paid for by the existing loads. Capacity could be linked to proposed large loads, requiring a security deposit from large loads, or requiring large loads to act as a DSP, with no rights to reliable supply; where, if the opposite occurs and a large load arrives	Synergy

	unexpectedly and this results in an SRC auction, then that load should bear the SRC cost as targeted capacity.	
Feedback on Synergy's actual demand	Earlier feedback on Synergy's actual demand rather than wait for the non-STEM publication. This may morph into changing the settlement timeframe such that settlement occurs more frequently. Such a change has the benefit of reducing the level of participants' prudential requirements.	Synergy
Capacity Lead time for Demand Side Programmes	It has been noted that the two year lead time for certification could be a significant impediment for generation with shorter lead times, especially smaller generation and Demand Side Management (DSM). Shorter lead times for capacity certification would facilitate smaller generation and DSM more readily. In respect of DSM, a shorter lead time may mean that DSM could be made available spontaneously.	Premier Power

5. STATE POLICY ISSUES

A number of issues were raised during the initial meetings that relate to State Energy Policy that would require consideration by the PUO prior to incorporation on the Market Rules Evolution Plan. In the interests of ensuring these issues are captured they are summarised below:

Removal of Verve Energy as a portfolio bidder	A policy direction from the PUO to remove the ability for Verve Energy to bid in as a portfolio to improve the efficiency of the WEM.	ERA
Dual Fuel	The likely future direction of the Dual Fuel initiative currently under consideration at the PUO.	Minister's Office
Constrained/Unconstrained Grid direction	The PUO should consider policy in relation to whether a future move toward a constrained grid is likely.	APA
Verve Energy/Synergy merger	Clarification on whether or not the Verve Energy / Synergy merger is likely to occur.	Perth Energy
Central Planning Role	The IMO to provide an independent, objective strategic planning role to the SWIS.	Griffin

6. NEXT STEPS

The IMO is now seeking input from the MAC to review the initial list of issues raised by stakeholders and consider whether there are any other the areas of the Market Rules that require further development.

Once the MAC considers that the list of issues is complete, the issues will be provided to MAC members to assess the relative priority of each of the issues.

The IMO will continue to consult with the PUO and System Management on the prioritised issues and will seek direction from the PUO on policy related matters.

This prioritisation advice will assist the IMO to set the work priorities for the next phase of market development, and will assist the IMO and System Management in developing their Allowable Revenue submissions for the three year Review Period commencing in 2013/14.

Wholesale Electricity Market
Concept Paper Proposal Form

Concept Proposal No: *[to be filled in by the IMO]*
Received date: *[to be filled in by the IMO]*

Concept requested by

Name:	Stephen MacLean
Phone:	08 6212 1498
Fax:	
Email:	Stephen.maclean@synergy.net.au
Organisation:	Synergy
Address:	
Date submitted:	30 July 2012
Urgency:	2-medium
Concept proposal title:	Improving the cost benefit trade-off of early capacity payments
Market Rule(s) affected:	4.1.26 & 9.7.1

Introduction

The purpose of a Concept Paper is to foster analysis and discussion of complex issue(s) that can affect the Wholesale Electricity Market (Market), the Market Rules and the Wholesale 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.

This Concept Paper Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: Manager Market Development
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: market.development@imowa.com.au

General Information about Concept Paper Proposals

This concept paper explores options for creating a better cost benefit trade-off to the market related to early capacity payment. Early capacity payments being the payment the IMO make to new capacity which becomes available within the four months window before the start of the relevant capacity year.

The early capacity payment is a mechanism which allows new generators to arrive before 1 October, being the start of the capacity year, and get a payment from the IMO as if it were credited for the previous capacity year. The reason for the early payment has modified over time but the current version which allows this early payment to commence from 1 June was an attempt to encourage generators to arrive early, well before 1 October, and so minimise the possibility of them still trying to resolve technical problems resulting in them being unavailable for their first summer peak period.

Details of the proposed Concept Paper

1. Identify the issue(s) with the existing Market and/or its Market Rules that are to be addressed by the proposed concept paper (including any examples):

The general question behind this concept paper is whether the market is getting value for money in making the early capacity payment or whether the cost benefit trade-off could be improved through product restructuring. Recently the market has paid a number of millions of dollars for early capacity and this is happened during a time when there is a significant surplus of capacity. One could argue that when the market is least likely to be at risk of suffering a capacity shortage, such as in times of surplus capacity, it should consider reducing or not making such a payment. On this basis it is worth the MAC reviewing the simplicity of the current mechanism to determine whether it can be designed better to account for changing capacity situations.

Background

For background a brief history of the early payment, its evolution and associated incentives are included.

The market rules have always allowed an early capacity payment, or better understood as an extended commissioning period, for new generation capacity. The initial design emerged from an understanding that not all new generation capacity could complete their commissioning and so be available for commercial operation on 1 October. Such a completion deadline would create difficulties not only for the generators but also for System Management having to catering to multiple commissioning demands all converging on a single day. The initial design also recognised that some generators, but not all, suffer commissioning and post commissioning difficulties which extends their time to commercial operation beyond that originally intended. The initial design therefore suggested a four month arrival window for new capacity from 1 August to 30 November to explore whether this relieved commissioning congestion and allowed sufficient commissioning time.

To ensure that this four month window did not simply move the congestion date, this time to 30 November, the reserve capacity refund factors were increased markedly from 1 December such that a late arriving generator would suffer a significant cost penalty. This window also allowed new capacity the option to be unavailable for October and November without suffering capacity refunds for those months.

Although new capacity could timetable its arrival anytime before 1 October this was not considered likely to occur on the assumption that all capacity would commence on 1 October to align with the start of the new capacity year. At the time it was considered that the capacity mechanism would be such a strong influencer on investment timeframes that it would also determine the arrival of capacity. So it was thought that a new generator would avoid arriving much before the 1 October because it would be sitting idle gaining no revenue stream. To counter this perceived negative a further incentive to encourage new generators to arrive between 1 August and 1 October was by making a capacity payment if available in August or September.

The market's view of early capacity payments incentive was shaken in late 2008 and early 2009 as a result of the late arrival of a base load generator missing its 30 November 2008 start and the IMO calling a supplementary reserve capacity auction to cover the expected shortfall. The IMO drafted two concept papers CP_2008_01 for the December 2008 MAC meeting and CP_2009_01 for the February 2009 MAC meeting suggesting two major changes to the market rules. The first area of change was to encourage new capacity to commence their investment cycle earlier by providing greater certainty around the volume of capacity credits which would be allocated to them. This proposal was a new incentive to encourage early arrival of capacity. The second was to modify the timing of the capacity window and the resulting payment and refund structure. This change was a modification to the existing incentive arrangements.

CP_2008_01 published for the December 2008 MAC introduced the concept of early certification of capacity which is now embodied in market rule 4.28C. The concept paper also proposed changing the current four month arrival window by offering three alternatives:

- Option A** – Four month window between 1 June and 1 October
- Option B** – Six month window between 1 April and 1 October
- Option C** – Nine month window between 1 January and 1 October

The IMO recommended the adoption of Option A given it retains the current 4 month window and provides the lowest additional cost exposure to the market of all the proposed options.

For the February 2009 MAC meetings the IMO presented a second concept paper CP_2009_01 which expanded the concept of early certification whilst suggesting a new option for the capacity window being, Option D, limiting the window to two months between 1 August and 1 October. The concept paper also introduced reduced payment scaling factors, as given in the following three scenarios, as a method to reduce the cost of to the market of at least four months of early capacity payments:

Scenario 1 – Pay 80% of the reserve capacity price (RCP)

Scenario 2 – Stepped scale, being a linear increase in paying each month starting at 80% of the RCP for the first month of the window and 100% for the last month of the window.

Scenario 3 – Linear increase each month

The April 2009 MAC meeting agreed to let the IMO draft the early certified reserve capacity RC_2009_10 now embodies in market rule 4.28C which became effective in February 2010. This rule change allowed for a capacity investor to know the volume of capacity credits they would receive for a future reserve capacity cycle. Before RC_2009_10 was approved certainty could only be given for the current reserve capacity cycle.

The February 2009 MAC agreed to allow the IMO to draft rule changes as proposed in Option A of CP-2008_01 which would change the capacity window between 1 August and 30 November to 1 June and 1 October. The scenarios presented in CP_2009_01 were not included in this rule change. RC_2009_11 was formulated proposing Option A and later became effective for the 2010 capacity cycle and operational on 1 June 2012.

In 2010 Alinta proposed a pre rule change questioning the worth of allowing early capacity payments to non-generator capacity types after discovering that curtailable loads were receiving the early capacity payment. To assist the MAC the IMO commissioned Marchmont Hill to write a paper discussing early capacity payments.

In this paper Marchmont Hill noted that the risk associated with a late arrival of a generator was the generator's (the constructor's) risk, being the party best able to manage the risk, and not one which a market would normally socialise to its members through an early capacity payment. The paper noted that conceptually the late arrival of generation could create more cost than provided via capacity refunds leaving the market short, but that the value to the market of early capacity is not fixed or not obviously related to the capacity price and that the marginal value of early capacity to the market diminishes the more capacity is commissioned. They also noted that the benefits of early capacity payments were conceptual lacking supporting analysis meaning a true optimum cost benefit trade-off had not been determined¹.

For the June 2012 MAC Synergy re-raised the Alinta rule change proposal questioning the scope of capacity types that an early payment should apply to. At this meeting a number of other views were expressed indicating further potential improvements to early capacity payments. These included:

¹ Marchmont Hill also made a comment regarding discrimination which has more recently been refuted by external legal advice.

- A reversion to the capacity window arrangements pre-RC_2009_11 meaning the window between 1 August and 30 November.
- The removal of the early payment from all forms of capacity

After discussing this topic with a number of MAC members it was evident that there was interesting in pursuing discussions on early capacity payments in more detail.

2. Outline the overall objective of the Concept Paper Proposal:

This concept paper proposes options which may provide for a better cost benefit trade-off for the early capacity payments.

3. Identify any reasonably practicable options for achieving the objective:

Rule change RC_2012_10 was proposed as a way to provide a better cost benefit trade-off recognising that non-generator forms do not need an early arrival payment incentive to be available by 1 October. RC_2012_10 achieves this by only allowing only scheduled and non-scheduled generators to be eligible for early capacity payments as was the intention of rule change RC_2009_11. RC_2012_10 should not be seen as a complete fix because it is possible for the market to make further improvements to the early capacity payment rules. The following options are presented to the MAC for consideration as ways to further improve that cost benefit trade-off.

Option A – partial payment

Concept paper CP2009_01 suggested that capacity arriving between 1 June and 1 October could receive an early payment for capacity, but this would be set at a lower value than the reserve capacity price. A value of 80% of the prevailing reserve capacity price was suggested this representing Scenario 1. The reason this scenario was not further considered by the MAC was the suggestion that the increased complexity of implementing it may outweigh any benefits. This suggestion was not tested at the time and even a simple calculation would suggest it benefits were understates back in 2009.

A simple calculation: The arrival of a new 300 MW facility on 1 June would create an early payment cost of \$15 million to the market, assuming a monthly reserve capacity of \$12,500 per MW. Paid at 80% rather than the full reserve capacity price delivers a saving of \$3 million. It is unlikely that \$3 million would not be absorbed in implementing and operating an approach similar to Scenario 1.

CP_2009_01 also suggested that Scenario 1 reduced the incentive for capacity to arrive early by virtue of the reduced payment suggesting it reduced the benefit. This second point is also unlikely to be the case, given generators do not plan to arrive early as they do not plan to arrive late, but if construction and commissioning proceed well they are happy to accept an early capacity payment. Therefore the early payment appears to be more of a reward to

generators which because of circumstances can arrive early rather than something which causes the deliberate timetabling an early start. Therefore a reduction to 80% of the reserve capacity price is unlikely to change a generator's arrival behaviour.

Considerations with this option are:

- How capacity refunds would apply with a reduce capacity payment.
- Under this option from 1 June 2014 new capacity at 80% of the reserve capacity price could receive \$11,900 per month per MW. From October 2014 given the reduced RCP they would receive only \$10,000 per month per MW. Even at 80% of the RCP the early payment would be higher than the following year's RCP.
- Consider whether the early payment should never be more than the RCP for the following capacity year rather than using a simply fixed percentage.

Option B – revert to original capacity entry window

At the June 2012 MAC meeting Alinta commented that its preference was to revert to the pre_RC_2009_11 capacity window of 1 August to 30 November. The benefit of this original market approach is that it is 50% less expensive than the current approach whilst retaining a four month arrival window.

If RC_2009_11 were to be reversed then new capacity if arriving early could get two months of early payment or be allowed to arrive as late as 30 November without suffering a capacity refund. This approach maintains the incentive of an early payment, although for only two months, but reduces the cost to the generator if not available for the two months of October and November. Given both of these are non-peak months the need for capacity is considerably less than is needed for the following months and so making a delayed delivery acceptable without increasing the system reliability risk. This approach has been in operation since market commencement and only changed this year to a 1 June to 1 October window. The market has had more experience with the 1 August to 30 November window than the new window and apart from the one shock in 2008 appears to have been comfortable with this approach.

Option B1 – a two month window

This approach is similar to Option B except it there is no capacity refund grace period for October and November. All capacity must be available by 1 October. This option was originally proposed in CP_2009_01 as Option D but was not considered by the market.

Considerations with this option are:

- Whether two months is sufficient time to resolve commission and post commissioning.
- Whether two months may result in commissioning congestion for System Management a problem the market was designed to avoid.

Option C – yes/no payment for early capacity (Most *likely to be agreeable to MAC*)

There are times when an incentive payment to encourage generation capacity to arrive early is valued by the market meaning the benefits are high and times it is not valued meaning the

costs are high. Since 2008 the market has enjoyed a surplus of capacity above that targeted by the IMO. It may therefore be fair to consider during times of capacity surplus whether new capacity arriving early should be given an early capacity payment.

This option allows the IMO discretion to review the status of existing capacity, the need for capacity in the coming capacity year and so determine whether there is sufficient value to the market in offering an early capacity payment or not. The assessment the IMO would undertake is whether by it issuing early payments saves the market more by avoiding potential capacity shortage costs or is simply paying money for no improvement. The IMO would review and decide, say by June of year 2 of the relevant capacity cycle, if such a payment were or not to be offered. In this way the IMO is making a cost benefit trade-off assessment and deciding to pay for early capacity or not to pay. This decision is suggested as a binary pay/no pay rather than force the IMO into a complex process of determine a percentage of early payment which may be administratively costly.

To assist the IMO in coming to its decision specific criteria can be put in place. For instance: The IMO should consider the existing capacity already operational in October of year 3 of the capacity cycle as the main justification for cancelling early capacity payments, but may also consider the volume of new generation capacity arriving in October of year 3 and the likelihood that sufficient of this capacity will arrive in time.

Considerations with this option are:

- The conditions to trigger a no early payment
- Or if operated similar to SRC then the trigger to make an early payment
- Timing arrangements whichever approach adopted
- Consider the case of small benefit to market of early payments applying but large volume of capacity could request the payment leading to a negative outcome

Option D – remove early capacity payments

This option represents both the greatest cost reduction to the market given that it proposes the removal of the early capacity payment for all capacity types, but also represents the greatest potential change to system reliability for the same reason.

Alinta have indicated that the existence of an early arrival payment does not impact the timetable of a generator build or commissioning. When planning to build a generator the early capacity payments are not included in the projects timelines and only result if things go well. If a generator enjoys a problem free build it may decide to arrive earlier than its original completion date simply to gain the early payment, but then the availability of the generator was already assured and it is questionable the market is gaining from making the payment.

What we do know is that a generators times its arrival to avoid being exposed to capacity refunds, particularly the summer refunds. Capacity refunds if incurred are a direct cost to a new generator and the heightened summer refund factors amplify that exposure. It is likely that capacity refunds are the real incentive for generators to avoid a late arrival and not the early capacity payment.

If the above statements are correct then it would be difficult to justify the benefit the market gets from making any form of early capacity payments and the cost benefit trade-off should swing to no payment.
