INDEPENDENT MARKET OPERATOR

Market Advisory Committee

Minutes

Meeting No.	58
Location	IMO Board Room Level 17, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 20 March 2013
Time	2.05pm – 5.25pm

Attendees	Class	Comment
Allan Dawson	Chair	
Kate Ryan	Compulsory – IMO	
Noel Ryan	Compulsory – Network Operator	
Phil Kelloway	Compulsory – System Management	
Andrew Everett	Compulsory – Generator	
Stephen MacLean	Compulsory – Customer	
Geoff Gaston	Discretionary – Generator	
Andrew Sutherland	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Steve Gould	Discretionary – Customer	
Nenad Ninkov	Discretionary – Customer	
Michael Zammit	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Paul Hynch	Minister's appointee – Observer	Proxy
Wana Yang	ERA – Observer	
Apologies	**Class**	**Comment**
Nerea Ugarte	Minister's appointee – Observer	

Also in attendance	From	Comment
Lizzie O'Brien	IMO	Minutes
Murray Cribb	IMO	Presenter (departed at 3.20pm)
Greg Ruthven	IMO	Presenter
Aditi Varma	IMO	Presenter
Anne Hill	IMO	Presenter
Miles Jupp	Collgar	Presenter (departed at 2.50pm)
Alistair Craib	Collgar	Observer (departed at 2.50pm)
Doug Aberle	Collgar	Observer (departed at 2.50pm)
Anastasia Papadopoulos	Ernst & Young	Observer (departed at 3.20pm)
Emily Sargent	Ernst & Young	Observer (departed at 3.20pm)
Matthew Fairclough	Western Power	Observer (departed at 4.35pm)
Paul Troughton	Enernoc	Observer
Fiona Edmonds	Alinta	Observer
Andy Stevens	Bluewaters	Observer
Ben Tan	Tesla	Observer (arrived at 2.40pm and departed at 4.20pm)
Natasha Cunningham	IMO	Observer
Jenny Laidlaw	IMO	Observer (arrived at 4.50pm)

Item	Subject	Action
1.	**WELCOME** The Chair opened the meeting at 2.05 pm and welcomed members to the 58th meeting of the Market Advisory Committee (MAC).	
2.	**MEETING APOLOGIES / ATTENDANCE** The following apologies were received: • Nerea Ugarte (Minister's appointee - Observer) The following other attendees were noted: • Paul Hynch (proxy for Nerea Ugarte) • Lizzie O'Brien (minutes) • Murray Cribb (presenter) • Greg Ruthven (presenter) • Aditi Varma (presenter) • Anne Hill (presenter) • Miles Jupp (presenter) • Alistair Craib (observer) • Doug Aberle (observer)	

	• Anastasia Papadopoulos (observer) • Emily Sargent (observer) • Matthew Fairclough (observer) • Paul Troughton (observer) • Fiona Edmonds (observer) • Andrew Stevens (observer) • Ben Tan (observer) • Natasha Cunningham (observer) • Jenny Laidlaw (observer)	
3.	**MINUTES OF PREVIOUS MEETING** The minutes of MAC Meeting No. 56, held on 12 December 2012, were circulated prior to the meeting. The minutes were accepted as a true record of the meeting. Subsequent to this meeting the IMO identified a number of minor amendments to the December 2012 MAC minutes that System Management had requested in December 2012, which had not been raised or endorsed at the March 2013 MAC meeting. *Action Point: The IMO to amend the minutes for MAC Meeting No.56 and recirculate for endorsement by the MAC.*	**IMO**
4.	**ACTIONS ARISING** The following comments were noted on the action items: • **Items 10 and 56:** The Chair noted that both these items were included for discussion on today's agenda as PRC_2012_03 and PRC_2013_06. • **Item 11:** Mr Phil Kelloway noted that a draft document had been prepared which he would provide to the Chair for circulation to MAC members. He noted that the issue was one of coordination between distribution network outages and generators and how the generator is impacted by outages. Mr Kelloway further noted that there was a process in place which generally worked but did not meet the requirements of the Market Rules. The distribution network outage process included three business days notification. Mr Kelloway noted that System Management was looking to make further improvements to the process. *Action Point: System Management to provide a copy of the draft process to the Chair for circulation to MAC members.* • **Item 29:** Mr Kelloway noted that this item, which deals with loads and network outages, involved a similar process to what was outlined in action item 11. He noted that there was a three day notification process but that load customers may prefer to have a more formal process to align with the Market Rules. Like the process for generation (subject of item 11), this process is also being examined by System Management.	**System Mgmt**

	• **Item 47:** Mr Andrew Everett noted that the item appeared in the meeting papers to have been completed. He requested the Chair provide an update. The Chair noted that two weekly meetings with System Management were being held and Mr Kelloway confirmed that the process of ensuring the values and the standard are correct had started. *Action point: IMO to reopen action item 47 and provide an update on the outcome at the next MAC meeting.* • **Item 53:** Completed. Collgar made a presentation to the MAC as agenda item 4a. • **Item 61:** Chair to provide update at next meeting. • **Item 62:** Chair to provide update at next meeting. *Action point: IMO to include items 61 and 62 on the agenda at the next MAC meeting.*	**IMO** **IMO**
4a.	**PRESENTATION: Impact of Changes to the Allocation of Capacity Credits to Intermittent Generators** The Chair invited Mr Miles Jupp from Collgar Wind Farm to make his presentation. The following discussion points were noted: • Mr Shane Cremin enquired as to when the next review was due. Mr Greg Ruthven confirmed that the next review would take place during 2014, with any rule changes to be in place for 2015. Mr Jupp clarified that Collgar's request was to bring forward the review by one year such that the outcome impacted the 2016-17 Capacity Year rather than the 2017-18 Capacity Year. • The Chair pointed out that the review leading to the allocation of Capacity Credits to Intermittent Generators was a costly and laborious process. • Mr MacLean stated he considered Sapere's report suggested a review of a more limited scope than the previous review and that on the basis of the review's scope being limited, he would be comfortable with the review being brought forward. Mr Cremin agreed that if the review was limited and there were grounds for review based on material impact then he would be happy to bring it forward. The Chair responded that the IMO would have to remove other items from its work program in order to accommodate the review. The Chair also pointed out that the time and effort involved in undertaking the review earlier may outweigh the benefits to Collgar from any methodology change. • Discussion on the fairness of the allocation methodology and the material impact on Collgar ensued. • Mr Everett stated that the issue for the MAC was whether Collgar had been unfairly impacted. The Chair agreed and sought the views of MAC members without commercial interest in the issue. Mr Michael Zammit responded that the MAC should be presented with the analysis. • The Chair stated that that the IMO would be able to provide the necessary data however it would require permission from Collgar to	

circulate that information. Mr Jupp, on behalf of Collgar Wind Farm, consented to the data being circulated to MAC members.

- Mr MacLean stated that he considered that Collgar had been unfairly impacted since they faced costs which were outside of the expected cost for the entire market. He suggested that the review should be brought forward and should consider the use of LSG and the U and K factors. The Chair responded that it may be difficult to start a review on those limited issues without the scope becoming much wider.
- Mr Jupp suggested that Market Participants were generally unsatisfied with the LSG methodology. Dr Steve Gould reflected that he had previously objected to the LSG methodology however he'd suggested at the time that the opinion of an independent consultant be sought and as such he supported the process and its outcome.
- Dr Gould queried whether one review or two reviews were being considered. Mr MacLean responded that only one review was being contemplated..
- In his concluding remarks, Mr Jupp thanked the MAC members for their consideration and reiterated the view that once data had been circulated the material effects of small refinements to the methodology would be illustrated which would warrant bringing forward the current review.

Representatives from Collgar Wind Farm left the meeting at 2.50pm and discussion continued.

- The Chair clarified that the data in question had been prepared by the IMO and as such, given consent for the data to be circulated had been given by Mr Jupp on behalf of Collgar, the IMO would circulate the information.
- Mr Ninkov queried whether the data being distributed would show the complete impact of the changes or just the impact on Collgar. The Chair responded that the data would demonstrate Collgar's performance over a series of years based on simulated and actual metered data. Mr MacLean suggested that the data may show that Collgar performs better using peak data than if you used LSG data.
- Discussion on the impact that any potential methodological changes might have on Collgar's Capacity Credit allocation ensued. In particular it was noted that based on the information presented there may be a small non-substantive change to the level of Capacity Credits allocated to the wind farm.
- Mr Ninkov queried why bringing forward the review might then still be necessary.
- Mr MacLean suggested that the issue was much broader than Collgar and that the review process needed to consider consequences and impacts of the previous methodological canges on the wider market. Mr MacLean stated that the market had not supported the rule change that was finally approved by the IMO Board. He highlighted several issues that he suggested created unnecessary uncertainty. He considered that the issues needed to be dealt with earlier rather than letting them linger since the

	uncertainty would stifle investment going forward. • Mr Ninkov responded that he was concerned with the basis under which the review was requested to be brought forward. He questioned the role of the MAC in considering the detrimental impact of a rule change on a specific participant and in particular whether it would initiate a review of the relevant aspects of the rules in each case. *Action Point: The IMO to circulate data on Collgar's performance during peak intervals to MAC members.*	**IMO**
5a.	**Concept Paper: CP_2013_02 Market Participant Fee – Clarification of GST** The Chair invited Mr Murray Cribb to make a presentation. The following discussion points were noted: • The Chair initiated discussion by extended an apology that this matter had arisen. The IMO had sought and received comprehensive GST advice around the settlement of the Wholesale Electricity Market on more than one occasion. He stated that the Australian Taxation Office (ATO) Ruling with regards to GST of the Regulator Fee had come as a surprise and was inconsistent with the advice that the IMO had received previously. • Mr MacLean questioned who would bear the cost of the problem. The Chair clarified that it was incorporated into the market fee however the Market Participants had effectively faced a lower fee from the Economic Regulation Authority (ERA) over the last five years as a result of including the tax amount as revenue rather than passing it onto the ATO. The result of the tax ruling is that the IMO would be increasing its fee for the next 12 months by half a million dollars to recover the GST that was not remitted to the ATO. • Mr Andrew Sutherland sought clarification on what had happened to the tax which was paid but not passed onto the ATO. He raised that it appears that the ERA had been overpaid by half a million dollars and queried whether the ERA had taken that into account in its allowable revenue such that it essentially reduced its revenue requirements over time. • The Chairman clarified that there was no net effect to the market given that the ATO hadn't sought to charge the IMO any penalties. Mr MacLean suggested that Market Participants had been receiving the cash flow from the reduced ERA fees which should have gone to the ATO and now the ATO is expecting to have that money returned (to balance against imputation credits issued for the period). The Chair confirmed this was correct. • Ms Wana Yang stated that from the ERA's perspective the issue started in 2008. She outlined that the ERA charges are a regulator fee which is a government levy and government levies do not attract GST. Ms Yang noted that the ERA had always provided a GST exclusive amount to the IMO and expected to receive money back that was GST exclusive. She stated that the ERA never believed that any amount needed to be given to the ATO. Mr Cribb disagreed but acknowledged extending the debate would not be constructive.	

	• Mr Kelloway stated that System Management had not been involved in any discussions regarding the GST issue to date. The Chair responded that System Management was not in the same position as the IMO with regards to claimed credits. • Mr Geoff Gaston questioned whether the determination was going to affect Market Participants GST statements retrospectively. The Chair responded that it was unlikely noting discussions with the ATO were ongoing. The Chair said that from 1 January 2014, Market Participants would receive an invoice that had elements which attracted GST and elements that do not attract GST. He clarified that the IMO was proposing the 1 January 2014 timing to allow sufficient time for any required modifications to tools and systems which take GST amounts into consideration to be properly considered and updated prior to the changed circumstances taking effect. • Mr Andrew Stevens raised the topic of the IMO acting as a principal and requested clarification. The Chair clarified that the IMO is seeking to perform a clearing house function, similar to settlement structures in financial, commodity and other electricity markets, including the National Electricity Market. • Mr Stevens identified that there may be an issue with this resulting in the need for contracts to be re-negotiated. The Chair clarified that the IMO intended to deal only with the physical transactions and bilateral contracts weren't intended to be affected by the arrangements. • Mr McLean questioned whether the possible implications for Renewable Energy Certificates (RECs), and specifically whether the how the liability of RECs is determined, had been considered. He pointed out that there had been discussions with the regulator regarding RECs because there were differences between the WEM and NEM and consequently the size of liability that applies. The Chair responded that the IMO had not considered this issue and requested that Mr McLean outline some of the concerns to the IMO for consideration. *Action Point: Mr Stephen MacLean to provide information on the RECS liability issue to the IMO.* *Action Point: The IMO to prepare the Pre Rule Change and present it at the April MAC meeting.*	**Synergy** **IMO**
5b.	**Concept Paper: CP_2013_01 Incentives to Improve Availability of Scheduled Generators** The Chair invited Ms Anne Hill to make a presentation. Ms Hill outlined three proposals that the IMO was putting forward: • Amend clause 4.11.1(h) to allow the IMO to assign Certified Reserve Capacity between zero and full allocation, specify factors to be considered in the decision and progressively reduce the outage threshold; • Amend clause 4.27 to grant the IMO discretion to monitor performance of individual high-outage Facilities regardless of system capacity availability, to better inform clause 4.11.1(h)	

decisions; and

- Introduce a Performance Adjustment to reduce capacity payments to high-outage Facilities.

A fourth option, to limit the hours of Planned Outages exempt from Reserve Capacity Refunds, was proposed for future consideration.

The following points were noted in an extensive discussion:

- The Chair highlighted to the MAC members that clause 4.11.1(h) was an 'all or nothing' clause and that there was currently very little guidance as to the intention of the clause.
- Mr MacLean commented that historically the thresholds in clause 4.11.1(h) had been generous. The Chair agreed and suggested the possibility that the drafters of clause 4.11.1(h) never actually thought the clause would be used.
- Mr Cremin queried the relationship between future reliability and reliability over the previous 36 months. He suggested that trying to understand, monitor and audit the Facility to predict future operation is irrelevant. He stated that clause 4.11.1(h) should result in the Facility not getting any capacity credits since that is the penalty for breaching the 30% outage cap. The Chair commented that clause was an option rather than an obligation. He stated that the consequences were quite severe and that the Board, when determining whether or not to exercise the right to not allocate Capacity Credits last year, had found the lack of guidance in the Market Rules other than the Market Objectives to be a challenge.
- Mr Nenad Ninkov queried what legal advice the IMO had sought in relation to clause 4.11.1(h). Ms Hill clarified that the legal advice was that clause 4.11.1(h) had an all or nothing effect: the IMO had to allocate either all or no Reserve Capacity Credits to a Facility that breached the outage threshold.
- Mr Cremin and Mr Ninkov questioned whether the Board felt that it was unable to make use of the clause. The Chair responded that the Board considered that it could use the measure however that it considered the clause could have quite severe consequences for the wider market. The Chair noted that the IMO Board had given great consideration to the consequences for the wider market when determining whether to make use of clause 4.11.1(h). The Chair stated that the IMO considered that there needed to be more flexibility and structure in the mechanism than was currently available.
- Mr Ninkov stated that he had an issue with the change because he considered that the clause provided a strong signal for when plants should be retired. Mr Ninkov questioned whether the percentage of time that generation plant is available was more important than its reliability, or being available when needed. He said he felt incentivising plant to be available 100% of the time may not be efficient.
- The Chair clarified that the expectation was not that facilities be available 100% of the time but that lack of availability of 40% to 50% over three years was excessive. He reiterated Ms Hill's analysis

which showed that some of the plant in Western Australia was in the worst-performing decile of generators internationally.

- Mr Tan, Mr Ninkov, and Mr Cremin each suggested the length of time for non-acceptable performance before the IMO would do something was too long. They suggested that by allowing non-performing facilities to retain Capacity Credits, the market was effectively rewarding non-performance.
- Mr Cremin suggested that if after three years of non-acceptable performance by a generator, the IMO decided to allocate it only 50% of Capacity Credits in two and a half years' time, then this really amounted to accepting five years of non-performance.
- Mr Sutherland suggested that taking Capacity Credit revenue away from plants, such as Kwinana C, because of high outages may mean the plant would not be viable and therefore would be taken out of the Merit Order for the whole year. He stated that this would mean the energy price may increase. Mr Stevens responded that this may provide an incentive for construction of another plant such as Bluewaters 3.
- Mr Sutherland clarified that his view was that any review which considered a reduction or cancellation of Capacity Credits which could result in the premature forced closure of a Facility must consider the net effect to the market rather than considering capacity in isolation.
- Ms Hill indicated that the IMO's proposal included reducing the outage threshold progressively from 30% to 20% over five years; a level that would still put the standard a little below what would be regarded as good industry practice. She also indicated that the proposed changes to clause 4.27 improved the IMO's ability to monitor facility performance in relation to capacity availability. Ms Hill stated that this would provide the IMO with more information to make decisions with regard to clause 4.11.1(h).
- Ms Hill explained that there were a certain number of planned outage hours that could be expected each year but that plants which took excessive planned outages would be putting their Reserve Capacity revenue at risk through the proposed Performance Adjustment.
- Mr Stevens asked how the Forced Outage Refunds were factored in because generators would have already paid for the Forced Outage element. The Chair confirmed that under the proposal both the Forced Outage Refunds and the Performance Adjustment would have to be paid, but noted that the Forced Outage percentages on the high-outage plant was very low.
- Mr Ninkov queried whether the relevant Planned Outages were approved by System Management. Mr Kelloway confirmed that the Planned Outages were approved by System Management on the basis that the generator was not required for system security that day, and they would have gone through the process requirements.
- Mr Tan queried the effectiveness of a rolling percentage discount proposed for capacity allocations. He commented that the proposal seemed to imply that if there were five years of non-performance for

example with 40% outages, a generator would still be receiving 60% of their Capacity Credits. The Chair clarified that under the proposal the actual amount of Capacity Credits would not be affected; there would simply be an adjustment on the dollar value equivalent to the previous outage rate and the capacity price.

- Mr Tan expressed concern that non-performing generators would get the rolling average of their past performance which may mean that they would not spend any money on the plant to address the issues, rather they would simply continue to be paid at the minimum 40%. The Chair responded that this was exactly the reason why the IMO had proposed to retain the discretion to not allocate Capacity Credits under clause 4.11.1(h).
- The discussion moved on to the use of Planned Outages. The Chair commented that Ms Hill's research had indicated that the Planned Outage definition in the WEM was very generous by international standards.
- Ms Hill outlined the alternative proposal to limit the number of Planned Outages that could be taken without exposure to the Reserve Capacity Refunds. Mr Cremin stated that he preferred this option to the others presented. He expressed concern about some of the bureaucratic and administrative issues that might arise with the other proposals and argued that the issue is that the WEM allows Market Participants too many Planned Outages. He supported the proposal that there should be a certain amount of Planned Outages each year and beyond that, Planned Outages would incur refunds. He added that recycling the refunds to available generators reinforces this message. Mr Cremin agreed that there still needed to be the ability for the IMO to refuse to allocate Reserve Capacity Credits to generators who persisted in demanding capacity revenue while not improving their plant.
- The Chair asked the MAC for advice on what level of Planned Outages should be allowed and it was agreed that this level would be critical.
- Discussion followed on the comparative incentive value of the gradual reduction of Capacity Credits over time and the potential cap on refund exemptions for Planned Outages. Mr Cremin noted that if there was a certain amount of Planned Outages allowable for the year, then generators would have to make their decision about whether and when to take a Planned Outage knowing the value of the plant [*in earning capacity and energy revenue*] is based on its ability to produce. He felt that this would create a better incentive.
- Mr Stevens raised the concern that all plant needed some minimum amount of Planned Outages. He stated that a major outage may take around 50 days every three years, and that sometimes additional damage is revealed at that time which necessitates a longer outage period. He stated that delays may be due to importing parts or other issues which could result in not being able to re-start for maybe a further 45 days. He pointed out that any Planned Outage limit needed to recognise such situations.
- The Chair stated that there could be a two-pronged threshold. Mr Stevens agreed that consideration of a two-pronged approach would

	be appropriate. The Chair then suggested the approach could involve a limit of around 15% over three years and then a 50 day annual limit and both would need to be breached. . • Mr Everett said that, from a market perspective, he felt that all the proposals were an over-reaction to the issue and would increase the risk on generators and therefore increase energy prices in the market. From a Verve perspective, he contended that the high outage rates on some of the Verve Energy machines did not equate to poor performance, but was a result of a large investment in extending the life of the plant, particularly Muja, which would produce cheap electricity. Mr Everett stated that the high outage rates in Verve Energy plant over the last few years were a temporary aberration and Verve Energy has a plan to have lower outage rates. He believed that by the time the rule changes took effect, Verve Energy's outage rates would be at a level where the rules would not have an impact. Mr Ninkov suggested, if that were the case, then no Facilities would be affected by the changes and therefore the change would not be required. Mr Tan countered that if that were the case, then the proposed change should proceed as it would protect the market if high Planned Outage rates occurred in the future. • Mr Stevens suggested simplifying the proposal by not combining incentives for reducing Planned and Forced Outages. He observed that Forced Outages are already penalised with refunds, so the new thresholds should just focus on Planned Outages. Mr Kelloway commented that it made sense to use the existing refund mechanism. Mr Gaston emphasised that they did not support recycling the refunds to generators as proposed by the Reserve Capacity Mechanism Working Group (RCMWG). • Ms Yang emphasised the value of making the IMO's decisions transparent and suggested that naming the plants with poor availability, regardless of the IMO's decision under clause 4.11.1(h), can itself be a deterrent. She pointed out that since the ERA had started publishing outage rates for individual plants, the performance had improved. • Mr Cremin raised the point that clause 4.11.1(h) is currently a non-reviewable decision and that people like to have some recourse if they feel a decision is not just, especially if it is meant to be a guillotine for Capacity Credit allocation. The Chair agreed that these were good suggestions. • The Chair thanked the MAC member for their constructive advice and stated that consideration would be give to the comments in drafting of the Rule Change Proposals. *Action Point: The IMO to review proposals based on the MAC's discussion and prepare a Pre Rule Change Proposal.*	**IMO**
6a.	**MARKET RULE CHANGE OVERVIEW** Ms Kate Ryan provided an update to the MAC on the current Rule Change Proposals under consultation and development. Specifically that there were twelve rule changes currently in progress, and that a number of Market Rule issues had gone into the log including a couple	

	of medium level issues which had arisen since the last meeting. The IMO is now in the process of looking at these issues. Mr Everett questioned whether the response from the Public Utilities Office (PUO) to the IMO listed on page 66 of the Meeting Papers related to both RC_2012_06 and RC_2012_12 and so the commencement date for both proposals would be moved to 1 June 2013. At a later stage during the meeting, Ms Ryan confirmed that the PUO's concerns only related to RC_2012_06. The commencement for RC_2012_06 would be moved to 1 June 2013, and the commencement date for RC_2012_12 would remain as 1 April 2013. The MAC noted the existing and new issues on the log.	
6b.	**PRC_2012_02: Assignment of Capacity Credits to NCS Facilities** Mr Ruthven presented an overview of the IMO's Pre Rule Change Proposal: Assignment of Capacity Credits to Network Control Services (NCS) Facilities (PRC_2012_03). Mr Ruthven noted that the issue had been presented at the April 2012 MAC and that, following the concerns raised at that meeting around the appropriateness of the market paying Capacity Credits for NCS Facilities, the IMO discussed the issues with Western Power as well as the PUO and the ERA. Mr Ruthven outlined the main consensus points that arose following those discussions and highlighted a number of perverse outcomes and incentives that would result if Facilities that are subject to a NCS Contract or a Long Term Special Price Arrangement (LT-SPA) are not assigned Capacity Credits. Mr Ruthven then invited Mr Noel Ryan from Western Power to make a presentation to address concerns that came out of the April 2012 MAC meeting on how Capacity Credits would be taken into account in assessing options to address network constraints. Mr Ryan highlighted that the New Facilities Investment Test (NFIT) that Western Power must apply to capital expenditure is based on the need to efficiently minimise costs. He also noted that the Access Code is very explicit in that it requires consideration of net benefits from a market perspective that includes generation, transport, and end consumers (rather than from a Western Power perspective only). The following points were raised during the ensuing discussion: • There was some debate as to whether the market assessment presented by Western Power was correct in including Capacity Credits for both the network option and the NCS option. Mr Matthew Fairclough clarified that in the assessment presented, Western Power had assumed that there would be new generation required to service the load which prompted the network constraint. Several MAC members suggested that this may not be a reasonable assumption in a market where there is already excess capacity. The issue in such a market is simply the existence of a network constraint which prevents existing capacity getting to load not a lack of generation and as such it would be a delivery issue not a demand or capacity problem. • Mr Gaston raised concern that nobody with a commercial aspect had attended the workshop between Western Power, the IMO, PUO	

	and the ERA. • Mr Gaston then queried the interaction with the Balancing Merit Order (BMO). Ms Lizzie O'Brien clarified that an NCS Facility would receive an Operating Instruction when it was required to provide an NCS. The Facility would then be required to bid into the Balancing Market to reflect that it is required to run. Dispatch Instructions would therefore reflect the updated BMO and as such there would be no Constrained On payments or out of merit dispatch. She also stated that the only time when there could be an issue would be when the Operating Instruction (and dispatch) occurred without sufficient time for the bidding to be updated. This would occur if the need to operate the NCS Facility arises within the two hour pre-dispatch window. In this case, provisions in the Market Rules ensure the NCS Facility is not paid Constrained On payments; however the marginal generator that is displaced would still receive a Constrained Off payment. • The MAC agreed for the IMO to progress PRC_2012_03. *Action Point: The IMO to submit PRC_2012_03 into the formal process and progress the proposal under the Standard Rule Change Process.*	**IMO**
6c.	**PRC_2012_23: Prudential Requirements** Ms Aditi Varma presented an overview of the IMO's Pre Rule Change Proposal: Prudential Requirements (PRC_2012_23). The following points were raised during the ensuing discussion: • Mr MacLean questioned whether the 48 month or 24 month time period was up for debate. Ms Varma responded that analysis had been conducted as to the most appropriate timeframe. The Chair noted a number of Market Participants had materially changed their businesses over the past 48 months and the more current billing periods were a much more relevant indicator of likely market exposure. • Mr Ninkov questioned whether the IMO had worked out the implications of the shorter time frame over which Credit Limits will be calculated on each Market Participant. Discussion ensued and it was agreed that the IMO would distribute the relevant information to each Market Participant on an individual basis. • Mr MacLean queried whether the estimate of Synergy's Notional Wholesale Meter data was used in the Trading Margin calculation. He queried whether this calculation would be sufficiently robust for Synergy to use it in its own forecasting system. The Chair responded that the responsibility for assessing changes in load lies with Synergy. He also pointed out that the IMO's prudential exposure estimate would be on a dollar per half hour basis. Ms Varma also clarified that the IMO's forecast estimate was based on previously invoiced amounts. • Mr Gaston queried whether the Margin Call amount would be determined using the Trading Margin. Ms Varma responded that the Trading Margin would indicate what the Margin Call amount should be. She added that the IMO would also take into account any voluntary pre-payments that might be made by the Market	

	Participant to reduce its liability. • Mr Gaston queried whether the IMO could reject a STEM submission. Ms Varma responded that the IMO could do so under the Market Rules. However, she added that there was also an obligation on the Market Participant to not make a submission that would result in a transaction exceeding its Trading Margin. • MAC members agreed that the IMO should disseminate details of the impact of the proposed amendments on Credit Limits to individual Market Participants and have the topic of Prudential Requirements discussed at a future MAC meeting once this information had been disseminated. *Action Point: The IMO to disseminate Credit Limit information to individual Market Participants.*	**IMO**
6d.	**PRC_2013_01: Clarification of Dispatch Compliance Obligations** Ms Ryan presented an overview of the IMO's Pre Rule Change Proposal: Clarification of Dispatch Compliance Obligations (PRC_2013_01). The following points were raised during the ensuing discussion: • Mr Kelloway queried whether System Management was already providing the necessary data and Ms Ryan responded that System Management was already providing all the relevant information to the IMO despite the potential for ambiguity that existed in the Market Rules. • Mr MacLean noted that this was an appropriate proposal to progress through the Fast Track Rule Change Process. • The MAC agreed for the IMO to progress PRC_2013_01. *Action Point: The IMO to submit PRC_2013_01 into the formal process and progress the proposal under the Fast Track Rule Change Process.*	**IMO**
6e.	**PRC_2013_03: LFAS Facility Definition** Ms Ryan presented an overview of the IMO's Pre Rule Change Proposal: LFAS Facility Definition (PRC_2013_03). The following points were raised during the ensuing discussion: • The Chair considered that it was unfair for Verve Energy to be excluded from receiving compensation for LFAS because the Verve Energy Balancing Portfolio was erroneously omitted from the definition of LFAS Facility in the Market Rules. The Chair noted that the IMO had not stopped paying Verve Energy for the service it was providing. The dispatch process for Load Following Services was working and the Rule Change Proposal simply sought to fix a definition problem in the Market Rules. • The MAC agreed for the IMO to progress PRC_2013_03. *Action Point: The IMO to submit PRC_2013_03 into the formal process and progress the proposal under the Fast Track Rule Change Process.*	**IMO**

6f.	**PRC_2013_05: LoadWatch, EOI and RDQ Provision** Ms Ryan presented an overview of the IMO's Pre Rule Change Proposal: LoadWatch, EOI and RDQ Provision (PRC_2013_05). The following points were raised during the ensuing discussion: • The Chair noted that the EOI Quantity and Relevant Dispatch Quantity (RDQ) data provided to the IMO by System Management within five minutes of the end of each Trading Interval is not confidential and the IMO planned to build some mechanisms for publishing this timely SCADA information. • Ms Ryan further clarified that System Management currently provides the information under the IMS Interface Market Procedure, but that the Rule Change Proposal is to formalise that obligation in the Market Rules. • Mr Kelloway questioned the repeated use of the term "must" in the drafting, suggesting that a "best endeavours" requirement might be more appropriate to allow for the possibility of IT failures. • Mr MacLean questioned whether there were any civil penalties that apply to the clauses and the Chair confirmed that there were none. • Ms Yang questioned whether there had been any recognition that the SCADA data may not be reliable. The Chair clarified that there are two SCADA data deliveries: one five minutes after each Trading Interval and the other following the end of each Trading Day. The second set of SCADA data, delivered two days following the Trading Day is more reliable and is the data used in the settlement calculations by the IMO. • The MAC agreed for the IMO to progress PRC_2013_05. *Action Point: The IMO to submit PRC_2013_05 into the formal process and progress the proposal under the Standard Rule Change Process.*	**IMO**
6g.	**PRC_2013_06: Exclusion of LFAS Quantities from Daily Ancillary Service Files** The Chair provided an overview of the IMO's Pre Rule Change Proposal: Exclusion of LFAS Quantities from Daily Ancillary Service Files (PRC_2013_06). Mr Kelloway queried whether there may be scope for simplification of the process by completely eliminating the daily Ancillary Service files. The Chair responded that consideration of a Spinning Reserve Market, which was the second highest priority in the Market Rules Evolution Plan, was likely to prompt further review of how the energy market functions with the Ancillary Services market. Ms Ryan responded that Mr Kelloway's suggestion would be logged for future consideration. The MAC agreed for the IMO to progress PRC_2013_06. *Action Point: The IMO to submit PRC_2013_06 into the formal process and progress the proposal under the Fast Track Rule Change Process.* *Action Point: The IMO to include System Management's suggestion to*	**IMO**

	remove the daily Ancillary Service file from the Market Rules to the IMO Rule Change Suggestion Log.	**IMO**
7a.	**MARKET PROCEDURE CHANGE OVERVIEW** Ms Ryan informed the MAC that a number of amendments to Market Procedures were in progress and considered that, if required, a more detailed discussion may be deferred to the next MAC meeting.	
8a.	**WORKING GROUP OVERVIEW** The Chair noted that Ms Kate Ryan would replace Ms Suzanne Frame as the IMO representative on the IMO Procedures Working Group and the System Management Procedures Working Group.	
8b.	**RCMWG UPDATE** The Chair noted that the RCMWG had concluded its work and that a number of Rule Change Proposals would be progressed. Debate ensued over the number of Rule Change Proposal packages that resulted from the group's work and whether the package for work stream three in particular could be further separated into several Rule Change Proposals. Mr MacLean suggested separating package three on the basis that it deals with quite separate items and separation would give the market the opportunity to comment on each of the items. Mr Cremin supported this view on the basis that the decision to pass a Rule Change is determined on the balance of whether the amendments met the market objectives or not but noted that he hadn't given this specific package sufficient consideration. The Chair thanked the MAC for their comments.	
9.	**GENERAL BUSINESS** Mr Kelloway highlighted a number of developments in the load following space and suggested an update on be provided at the next MAC meeting. The Chair agreed that an update would be appropriate. *Action Point: The IMO and System Management to provide an update on load following developments at the April MAC meeting.*	**IMO and System Mgmt**
CLOSED: The Chair declared the meeting closed at 5.25 pm.		