

Market Advisory Committee

Minutes

Meeting No.	65
Location	IMO Board Room Level 17, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 9 October 2013
Time	12.00pm – 5.00pm

Attendees	Class	Comment
Allan Dawson	Chair	
Kate Ryan	Compulsory – IMO	
Phil Kelloway	Compulsory – System Management	
Andrew Everett	Compulsory – Generator	
Matthew Fairclough	Compulsory – Western Power	Proxy
Will Bargmann	Compulsory – Customer	
Geoff Gaston	Discretionary – Generator	
Michael Zammit	Discretionary – Customer	
Shane Cremin	Discretionary – Generator	
Nenad Ninkov	Discretionary – Customer	
Steve Gould	Discretionary - Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Paul Hynch	Minister's appointee – Observer	Proxy
Wana Yang	Observer – Economic Regulation Authority (ERA)	
Apologies	From	Comment
Noel Ryan	Compulsory – Western Power	
Andrew Sutherland	Discretionary – Generator	
Also in attendance	From	Comment
Dean Sharafi	System Management	Presenter
Mike Thomas	Lantau Group	Presenter
Jenny Laidlaw	IMO	Presenter
Brendan Clarke	System Management	Observer
Andy Stevens	Bluewaters Power	Observer

Christian Weeks	EnerNOC	Observer
Paul Troughton	EnerNOC	Observer
Michael Reid	ERA	Observer
Greg Ruthven	IMO	Observer
Aditi Varma	IMO	Observer
Sam Beagley	IMO	Minutes
Oscar Cleaver-Wilkinson	IMO	Observer
Alex Penter	IMO	Observer
Courtney Roberts	IMO	Observer

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 12:22 pm and welcomed members to the 65th 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"> • Noel Ryan (Compulsory – Network Operator) • Andrew Sutherland (Discretionary – Generator) <p>The following proxies were noted:</p> <ul style="list-style-type: none"> • Matthew Fairclough for Noel Ryan (Compulsory – Network Operator) <p>The following presenters and observers were noted:</p> <ul style="list-style-type: none"> • Jenny Laidlaw (presenter, IMO) • Dean Sharafi (presenter, System Management) • Mike Thomas (presenter, Lantau) • Andy Stevens (observer, Bluewaters Power) • Paul Troughton (observer, EnerNOC) • Christian Weeks (observer, EnerNOC) • Michael Reid (observer, ERA) • Greg Ruthven (observer, IMO) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 63, held on 7 August 2013, were circulated to members prior to the meeting.</p> <p>The following points were raised by members during the meeting:</p> <p>Section 4: Item 24</p> <ul style="list-style-type: none"> • Mr Phil Kelloway requested an amendment be made to this section to include his comments that governor droop control was mandated within the Technical Rules and was different to Load Following 	

	<p>Service.</p> <p>Section 5a: page 5 of 13</p> <ul style="list-style-type: none"> Mr Kelloway queried whether there was a mis-match between RC_2013_07: Correction to Minor, Typographical and Manifest Errors and the following comment: <p><i>“The Chair proposed that the obligation should be placed on the Market Participant to ensure that capacity is unavailable in the BMO before requesting an outage”</i></p> <ul style="list-style-type: none"> The Chair advised that the IMO would provide clarification on any ambiguity. <p>Section 6c: page 10 of 13</p> <ul style="list-style-type: none"> Ms Wana Yang requested “Electricity Act” to be amended to “Electricity Industry Act”. <p><i>Action Points:</i></p> <p><i>The IMO to provided clarity to System Management on the mis-match in the 7 August 2013 MAC minutes and RC_2013_07.</i></p> <p><i>The IMO to amend the minutes of Meeting No. 63 and publish with the minutes of Meeting No. 63 as final.</i></p>	<p>IMO</p> <p>IMO</p>
<p>4.</p>	<p>ACTIONS ARISING</p> <p>The Chair introduced Ms Kate Ryan to update the MAC on the current actions. The following points were noted:</p> <ul style="list-style-type: none"> Item 22: Ms Ryan identified that System Management had information to provide to the MAC regarding Outage requests and this action point was now closed. Mr Kelloway distributed this information to the MAC. Mr Kelloway noted that more Outage data was available and if individuals requested more data he could make it available. Ms Ryan requested clarification on the unit of measure on the data provided. Mr Kelloway confirmed the data was presented as number of Outages. The Chair noted the figures appeared high. Mr Kelloway agreed the figures appeared high and suggested the filter used may not have excluded transmission Outages. Item 34: Ms Ryan confirmed with Mr Shane Cremin that he had received the required information and this item could now be closed. Item 40: Ms Jenny Laidlaw noted that the IMO had written to ERA and Office of Energy several years ago regarding this issue. Ms Laidlaw believed the ERA had requested more information from the MAC but the issue had not progressed further. Ms Laidlaw suggested that if the IMO was to resubmit a letter to the ERA, it should specify what the MAC's opinion on the licencing requirements for DSP's should be. The Chair suggested that DSP's should potentially have their own category for licencing. Mr Geoff Gaston stated he believed DSP's should be required to comply with the code of conduct as they are 	

	<p>marketing to small customers.</p> <ul style="list-style-type: none"> The Chair indicated the IMO could write to the ERA and suggest licencing for DSP's under a separate category. Ms Yang mentioned this should be a policy decision and the Public Utilities Office (PUO) may be appropriate to make such a decision. The Chair indicated the ERA and PUO could develop the requirements, which MAC could then review and provide feedback. Mr Michael Zammit requested clarity that the issue had not been triggered by any wrong-doing, rather to ensure a level playing field. The Chair confirmed this was the case. The MAC endorsed the IMO to draft a letter to the ERA and PUO and to keep item 40 open. <p><i>Action Points:</i></p> <p><i>The IMO to write a letter to the ERA and PUO requesting consideration of the proposal to ensure DSP's are subject to licencing, specifically under a separate licencing category.</i></p>	IMO
5a.	<p>Presentation: Load Following 101</p> <p>The Chair introduced Mr Dean Sharafi from System Management to deliver a 'Load Following 101' presentation prepared by System Management.</p> <p>MAC members discussed the presentation. The following key comments and queries were made:</p> <ul style="list-style-type: none"> Mr Kelloway and Mr Sharafi confirmed that governor control was mandated within the Technical Rules while Load Following, Spinning Reserve and Load Rejection Reserve were covered within the Market Rules. Mr Cremin questioned if all generators were installed with governor control or did it have to be fitted. Mr Sharafi confirmed that all generators in the WEM were installed with governor control. The Chair requested if the installation of governor control was part of the Technical Rules prior to connection to the network. Mr Sharafi confirmed that this was the case. The Chair questioned if it was normal for generators to have a deadband in place. Mr Kelloway stated this was the case. Mr Andrew Stevens then question if a deadband of 0.025Hz was normal or was it deemed small? Mr Kelloway stated he was unsure, noting he was not a member of the Technical Rules committee. Mr Sharafi stated, based on analysis of other markets, he believed having droop control of 4% was appropriate and the deadband could be increased but this would impact frequency fluctuations. Mr Stevens queried if any mathematical modelling had been completed to identify the impacts on increasing the deadband and the impacts on the changes governor frequency. Mr Matthew Fairclough noted anyone can suggest changes to the Technical Rules. Mr Nenad Ninkov requested clarification on the service standards of 	

	<p>the governors installed in generators. Mr Andrew Everett advised that droop control can be adjusted as required. Mr Sharafi commented that this standard was part of the Technical Rules and generators are subject to the Technical Rules at the time of connection to the network. Mr Fairclough noted that there may be some 'grandfathering' as generators are obligated to meet the Technical Rules at the time connection of refurbishment.</p> <ul style="list-style-type: none"> • Mr Gaston sought clarification on how often System Management could change 'real-time' dispatch of Load Following. Mr Kelloway confirmed that 'real-time' dispatch is set up on a ten minute cycle and it is changed three times an Interval. • Ms Aditi Varma sought clarification if Load Following up and down, could be provided by the same machine. Mr Sharafi confirmed this could occur if the generator was set-up for such a service. • Mr Everett noted that Spinning Reserve and Load Rejection are asymmetric, so generators carry more Spinning Reserve than Load Rejection. • Ms Varma requested clarification as to why Spinning Reserve had to cover 70% of the total output of the biggest generator rather than a different percentage. Mr Kelloway stated it was in the Market Rules. Mr Brendan Clarke noted it was likely an economic trade-off and that moving from 70% to 100% would probably double the cost to the market. • The Chair queried whether Load Following and Spinning Reserve were set as being exclusive of each other. Mr Kelloway responded that they were considered cumulative (Load Following was included in the Spinning Reserve requirement) under the Market Rules. • Mr Oscar Cleaver-Wilkinson queried if DSPs currently provide a proportion of Spinning Reserve. Mr Sharafi confirmed that they didn't as their response time is too slow. Mr Paul Troughton noted that this is provided in other markets around the world, including New Zealand. • Mr Kelloway clarified that Interruptable Loads provide category A Spinning Reserve but it is triggered automatically. <p>The Chair thanked Mr Sharafi for the presentation and confirmed that the presentation slides would be available on the IMO website.</p> <p><i>Action: the IMO to publish the Load Following 101 presentation on the IMO website.</i></p>	IMO
5b.	<p>Presentation: Load Following Investigation</p> <p>Ms Laidlaw presented the outcomes of an investigation undertaken by the IMO and System Management into the causes and usage of Load Following Ancillary Services (LFAS) during March 2013.</p> <p>The following discussion points were noted.</p> <ul style="list-style-type: none"> • Mr Michael Zammit queried whether it would be better to compare the LFAS statistics for March 2013 with those of a similar month, for example March 2012, rather than with those of July 2013. Ms Laidlaw replied that the statistics should probably be calculated 	

	<p>for every month to allow ongoing monitoring.</p> <ul style="list-style-type: none"> • Mr Geoff Gaston queried how much of the load forecast variation was due to systemic forecasting errors. Ms Laidlaw responded that the team was yet to determine this. • The Chair asked Mr Kelloway what steps System Management had taken to improve the quality of its load forecasting. Mr Kelloway noted that a new version of the forecasting software, expected to remove some of the random errors, was currently in test and that work was ongoing to improve the quality of data sources. System Management was still in the process of prioritising the issues to be addressed. Mr Kelloway noted the dependency of the forecasting system on SCADA and Bureau of Meteorology data and suggested there may be limits as to how far the quality of these data sources could be improved. There was some discussion about the reliability of SCADA data and the difference between SCADA data used for forecasting and the “cleansed” data used for settlement. • Mr Peter Huxtable asked how many of the wind farms in the Wholesale Electricity Market (WEM) were able to control the speed at which they ramped up and down. The Chair noted that in some jurisdictions wind farms voluntarily used feathering to reduce the variability of their output, as a mechanism for reducing the need for load following and the associated costs. • Ms Laidlaw noted that there appeared to be opportunities to reduce the impact of all of the four LFAS causes examined. There also appeared to be opportunities to sculpt the LFAS Requirement, particularly if LFAS Gate Closure times were reduced. • Mr Kelloway considered that it was too early to say that the impact of all the causes could be reduced. System Management considered that opportunities do exist, but was not sure that this was in all cases and noted that the benefits of some options may be outweighed by the costs. Mr Kelloway considered that the ongoing work of the team should allow it to identify the most promising opportunities in a reasonably short time frame. • The Chair suggested that sculpting the LFAS Requirement was likely to provide the greatest benefit relative to its costs. Mr Kelloway agreed that this was definitely worthwhile to pursue, although further work was needed to be certain. Mr Kelloway agreed there were times when the LFAS Requirement could be reduced quite considerably from the standard requirement of +/-72 MW. There was some discussion about whether the current +/-72 MW was a worst case or average value. • The Chair suggested it would be useful for System Management to start trying to sculpt the LFAS Requirement. Initial steps could include changing the setting of the LFAS Requirement from a back office function to a “front of house” function and some preliminary testing of the sculpting process (i.e. initially without actually reducing the LFAS Requirement). • Mr Nenad Ninkov questioned to what extent conclusions could be drawn from the analysis, given that it was based on only one month’s data and that 3% of intervals in the month had been 	
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	<p>excluded. Mr Kelloway replied that obviously the July 2013 study was required to check for potential seasonal variations. However, the analysis results for the two months would help to identify the obvious areas (applying an 80/20 principle) where improvements could be made for a reasonable cost. Further improvements were likely to require more detailed analysis.</p> <ul style="list-style-type: none"> • Mr Stevens noted that in early 2013 the LFAS Requirement was reduced from +/-80 MW to +/-72 MW and questioned whether this had led to any reduction in the percentage of time the system frequency fell between 49.8 Hz and 50.2 Hz. Mr Clarke advised that the frequency performance had not changed. The change in the LFAS Requirement reflected the replacement of the Pinjar units with the Kwinana High Efficiency Gas Turbine (HEGT) units as the primary LFAS units. The HEGT units were more efficient and had better response times than the Pinjar units. • The Chair suggested it may be possible to carry out some simple sculpting of the LFAS Requirement based on ramping activity, i.e. by reducing the requirement by about 10 MW in periods when ramping activity is expected to be lower. Further reductions could be made in periods of extended calm weather. Mr Kelloway responded that System Management intended to investigate these options. Mr Gaston questioned the time frame for this work and Mr Kelloway responded that timeframes were still to be developed. • MAC members discussed how the dispatch of Verve Energy Balancing Portfolio (VEBP) Facilities to provide Balancing, LFAS and Spinning Reserve differed from the dispatch of NewGen Kwinana and other IPP Facilities. Ms Laidlaw clarified that unlike NewGen Kwinana, the LFAS providing Facilities in the VEBP were not set to specific base points by the Automatic Generation Control (AGC) system but were allowed to vary between their minimum and maximum output levels in response to changes in the system frequency. • Ms Laidlaw noted the LFAS Requirement was almost always set to +/-72 MW. Mr Kelloway suggested there was some reduction at certain times, but thought that these reductions may be occurring after LFAS Gate Closure. Ms Laidlaw raised concerns about reducing the quantity of LFAS enabled from the quantities published in the LFAS Merit Order (except where an LFAS Facility failed to deliver its assigned quantity), as this treated LFAS providers unfairly and would act to discourage Market Participants from entering the LFAS Market. • The Chair noted that Mr Andrew Sutherland had provided some feedback to him on the LFAS paper. Mr Sutherland had commented on the comprehensive nature of the paper but strongly suggested that LFAS Gate Closure time frames need to be considered. • Mr Gaston questioned why the team had recommended a 10 minute dispatch cycle, given that a five minute dispatch cycle was common in other jurisdictions. Mr Kelloway and replied that a five minute dispatch cycle had been considered by the investigation team. Mr Sharafi noted that as System Management already issued Dispatch Instructions according to a 10 minute cycle and the 	
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	<p>proposed change would have no operational impact on Market Participants. Ms Laidlaw noted that while a five minute dispatch cycle may be ideal in the longer term, in the shorter term it could be problematic in that it would reduce the time available to System Management to detect and replace erroneous load forecasts.</p> <ul style="list-style-type: none"> • Mr Kelloway questioned whether wind forecasting should be a centralised function or the responsibility of the individual wind Facility operators. There was some discussion about the options for wind forecasting and the incentives for Market Participants to invest in sophisticated wind forecasting tools. Mr Michael Reid suggested that the incentive for Market Participants may increase with a move to “causer pays” allocation of LFAS costs. Mr Cremin considered that causer pays principles should apply to what a Market Participant may be able to control, e.g. ramping, rather than forecasting. • Ms Yang suggested that if a Non-Scheduled Generator contributed to the LFAS requirement through an incorrect forecast then it should be penalised through the “causer pays” process. This would provide an incentive to improve forecast quality and manage the Facility’s output better. Ms Yang suggested that the introduction of a “causer pays” cost allocation should be made a medium term rather than long term priority. Ms Laidlaw noted that a considerable amount of further work was needed to develop an appropriate “causer pays” cost allocation methodology. • Dr Steve Gould queried why an upgrade of the Real Time Dispatch Engine (RTDE) to allow overrides of non-scheduled generation forecasts was listed as a longer term objective. Mr Sharafi replied that due to the likely IT costs this had been seen as a longer term change, and that a move to ten minute dispatch might reduce the impact of the problem and therefore the benefits of changing the RTDE. Mr Kelloway acknowledged that the costs and benefits of the change had not been examined in detail. Ms Laidlaw considered it would be useful to confirm whether a relatively inexpensive quick fix was possible. • Ms Laidlaw noted that analysis results for July 2013 were still being validated but would be distributed to MAC members as soon as the Sapere Research Group had completed its review of the analysis. • The investigation team confirmed it would be providing a further update to the MAC at the November 2013 meeting. The Chair advised MAC members to email details of any questions or issues relating to the LFAS investigation to Ms Laidlaw. • Mr Will Bargmann questioned how market participants could provide feedback. The Chair suggested the IMO could circulate contact details of the IMO/System Management team to MAC members. <p><i>Action Points: The IMO to distribute the results of the July 2013 analysis of LFAS causes and usage to MAC members.</i></p> <p><i>The IMO to publish a copy of the presentation on the IMO website.</i></p> <p><i>The IMO to provide contact details of the IMO/System Management team to MAC members to enable members to provide feedback.</i></p> <p><i>The IMO and System Management to provide a progress update on</i></p>	<p>IMO</p> <p>IMO</p> <p>IMO/All</p> <p>IMO/ System</p>
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	<i>their investigation into the LFAS requirement to the November 2013 MAC meeting.</i>	Mgmt
6.	<p>Market Rules Evolution Plan Update</p> <p>Ms Laidlaw noted that several significant issues had emerged since the 2013-16 Market Rules Evolution Plan (MREP) was finalised in November 2012. The IMO sought the views of MAC members on the relative priority of these issues compared with the issues listed in the MREP. The IMO also sought the views of MAC members on whether the priority of some MREP issues was still appropriate given recent developments.</p> <p>The following discussion points were noted.</p> <ul style="list-style-type: none"> • Ms Ryan noted that rule changes would be required to support the upcoming merger of Verve Energy and Synergy. The IMO expected the work to be broken into two phases. The first phase was expected to involve the progression of a fast track Rule Change Proposal to address administrative issues relating to the merger. These included name changes, amendments to avoid nonsensical outcomes (such as the inclusion of Demand Side Programmes in the VEBP) and possibly some transitional rules. The second phase was expected to consider the more important issues such as market power mitigation and how the new entity will operate in the market. • Mr Ninkov considered that the review of the WEM proposed to start in early 2014 would have a more profound impact and questioned whether this review affected how the IMO was prioritising its work. The Chair responded that at this point the proposed review was not impacting the IMO's work plan. Several proposals were already in progress and others, such as a move to half hour gate closure, were unlikely to be impacted by the review. The IMO was working under the assumption that the WEM would continue to have a capacity market of some form and would continue to make improvements to the Reserve Capacity Mechanism in line with previous recommendations. • Ms Laidlaw noted that several submissions on the Rule Change Proposal: Limits to Early Entry Capacity Payments (RC_2012_10) supported the concept of removing early capacity payments for all Facilities when there was an excess of capacity in the market. There was general support from MAC members for the IMO to proceed with the development of this proposal. • There was general agreement from MAC members that the development of an Emissions Intensity Index (issue 2 on the MREP list) was no longer a high priority issue. • Mr Fairclough confirmed that Western Power no longer had concerns with the processes used to determine Loss Factors. The MAC agreed that issue 16 on the MREP list (Calculation of Loss Factors) was no longer required. • The Chair noted that while the MREP sets out the high level priorities for the IMO's work, if any of the issues were of a higher priority for participants then they could develop a Rule Change Proposal, which the IMO would be required to process in accordance with the Market Rules. The Chair noted that the IMO 	

	<p>had recently held a number of discussions with Bluewaters Power about changes to the allocation of Market Fees and Spinning Reserve costs.</p> <ul style="list-style-type: none"> • Mr Kelloway questioned whether issue 4 on the MREP (Introducing Market in Spinning Reserve) should be expanded to include consideration of Load Rejection Reserve. Ms Ryan considered that it would be appropriate to wait on the outcomes of the five yearly review of Ancillary Service Standards and the basis for setting Ancillary Service Requirements to be completed in 2014 (Ancillary Services Review) before progressing this issue, but agreed that a Load Rejection Reserve Market could also be considered at that time. Mr Kelloway suggested that the issue should be considered in the context of the Verve Energy/Synergy merger. • The Chair asked MAC members whether the IMO should consider mitigation of market power issues related to the merger as a priority. Mr Stevens considered there was a lack of clarity in the Market Rules around the definition of market power and that some preliminary work may be required to understand what market power was and how it manifests itself in the WEM. Mr Bargmann expressed concern about trying to establish definitions and rules about market power in the Market Rules when the Competition and Consumer Act (Commonwealth) already covers these matters. • The Chair noted that the IMO was not intending to duplicate or conflict with existing obligations but noted that the ERA and the IMO had obligations around the monitoring of short run marginal costs that needed to be considered in the context of a merged Synergy/Verve Energy entity. Until more information was available from the Merger Implementation Group it was difficult to progress this work, but the IMO proposed to make resources available to look into the potential issues when more information was available. There was general support from MAC members for the IMO to undertake this work as a priority. • There was general support from MAC members to retain the high priority of issue 3 (Transition to Half Hour Balancing Gate Closure) and expand its scope to include the reduction of LFAS Gate Closure timeframes. In response to a question from Mr Bargmann, Ms Ryan confirmed that the costs and benefits of the proposal would be considered as part of the rule change process. • After some discussion, there was general agreement that transition to a 10 minute dispatch cycle should be considered by the IMO in conjunction with the outcomes of the Ancillary Services Review, to ensure consistency in the definitions of dispatch and the LFAS Standard. • Ms Laidlaw suggested that MREP issue 1 (Additional Improvements to the Balancing Mechanism) could be split into two components. The first component, the removal of Resource Plans, could be progressed relatively quickly, while consideration of changes to the Bilateral Submission and Short Term Energy Market (STEM) processes would require more consideration and was likely to be impacted by the Synergy/Verve Energy merger. • Mr Gaston considered that the current STEM arrangements were of 	
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	<p>greater concern than the requirement to submit Resource Plans. Mr Stevens disagreed, considering that Resource Plans were now completely superfluous and should be removed as a priority. The Chair suggested that both components should be assigned a high priority but that the removal of Resource Plans could be regarded as “low hanging fruit” and progressed first. There was some discussion about opening the Balancing Horizon for a Trading Day earlier on the afternoon of the Scheduling Day, to provide System Management with a replacement for the information it currently receives through Resource Plans.</p> <ul style="list-style-type: none"> • Mr Stevens noted that Bluewaters Power found the STEM extremely valuable, while Mr Gaston suggested that the STEM be retained but that participation should be made optional. Ms Ryan proposed to include a discussion of options for Bilateral Submissions and the STEM on the agenda for an upcoming MAC meeting. • Mr Cremin queried when the Resource Plan component of issue 1 could be addressed. Ms Ryan considered that the IMO may be able to present a Concept Paper or Pre Rule Change Proposal to the December 2013 MAC meeting, depending on how much complexity was involved. • Ms Laidlaw questioned the inclusion of the dot point “Link between Balancing Submissions and Facility limit so that a Balancing Submission may contain more capacity than the Facility limit but not less” in MREP issue 1. MAC members agreed that this dot point was not required in the issue description. <p>There was general agreement from MAC members that while the IMO should consider the removal of early entry capacity payments in periods of excess capacity as soon as practicable this work should be assigned a lower priority than the work associated with the Verve Energy/Synergy merger and MREP issues 1 and 3.</p>	
7.	<p>AFTERNOON TEA</p> <p>Item moved to prior to Agenda Item 6.</p>	
8.	<p>CP_2013_06: Dynamic Refunds and Reserve Capacity Price</p> <p>The Chair invited Mr Mike Thomas to present the Concept Paper.</p> <p>The following key comments were made by members of the MAC regarding the presentation:</p> <ul style="list-style-type: none"> • Mr Gaston questioned how the eligibility criteria for the rebate pool would work if the previous 30 days coincided with the IMO’s testing regime. Mr Thomas responded that the exact mechanics had to be worked out, but in principle, dispatch to meet the IMO’s tests would also qualify the plant for rebate eligibility. • Mr Stevens confirmed with Mr Thomas that in the proposed regime, a delayed new Facility would automatically have a minimum refund factor of 1 because of no availability. • Mr Gaston and Mr Stevens also queried whether the rebate pool would be visible to Market Participants. Ms Laidlaw responded that there will be better visibility of the Outages, if not the rebate pool 	

	<p>itself.</p> <ul style="list-style-type: none"> • Mr Gaston and Mr Stevens discussed the application of the proposed regime to decision-making for peaking units. Mr Gaston noted his support for the dynamic refund factors but did not agree with the recycling regime because, in his opinion, recycling exposed peaking units to uneconomic dispatch. He added that more clarity was also needed on how the spare capacity in a Trading Interval would be defined. • Mr Bargmann argued that the recycling regime would give a windfall gain to Market Generators at the expense of taxpayers. He noted that in the present situation, Synergy receives a large subsidy from the Government and taking the refund revenue away from Synergy would imply an added expense to taxpayers to fill that gap. In response to a question from the Chair, he noted that refund revenue was not built into electricity tariffs, instead it would be included in Synergy's profit and distributed to shareholders in increased dividends. He observed that Market Generators would be paid twice in the recycling regime; through capacity payments and through recycling. • Mr Stevens argued that this was not the case because Market Customers receive Capacity Credits for the capacity payment they make to Generators. When in the energy market, a plant declares a Forced Outage, the risk exposure for other generators increases because failure to run penalises them at a higher rate and they stand to lose money. The Chair observed that the current regime might have been instituted at market start to allow Market Customers to buy more Capacity Credits if a generator went on an Outage. However, the fact that this hasn't eventuated implies that there may be a need to reconsider whether better incentives could be created in the market with that revenue. • Mr Thomas highlighted that a real benefit for Market Customers through the recycling regime is that the capacity they have paid for will be incentivised to perform better in the energy market, thereby delivering value when it's needed and deferring the need for new capacity. He highlighted that currently no value was delivered by allocating the revenue to Market Customers. By allocating it to Market Generators, incentives were being created to improve availability. Mr Gaston reiterated that he was not convinced that the recycling of refund revenue would create any incentives for Market Generators to change their behaviour. • The Chair proposed that Mr Gaston's concerns with the proposal would be minuted and the IMO would initiate work on the Rule Change Proposal. • Mr Bargmann questioned if the definition of a Forced Outage that was being considered under another rule change would impact the refunds and recycling regime. Ms Ryan responded that Outage definitions were being considered in PRC_2013_16 and the rule change would be progressed in parallel to allow assessment of whether one influences the other. • Dr Steve Gould commented that, as a Market Customer, he 	
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	<p>supported the concept of recycling refunds to generators because it would incentivise generators to be available at times of greatest need.</p> <ul style="list-style-type: none"> Mr Gaston reiterated that he did not support the proposed Lantau formula to scale the Reserve Capacity Price (RCP) up and down, however, he supported the removal of the 85% set-point for the RCP. He supported the dynamic refund factors, but not the recycling regime. He was also concerned that the impending merger of Verve Energy and Synergy and the ERA's annual review of the market might raise important issues, which would need attention before a rule change for this work could be started. The Chair acknowledged Mr Gaston's concern but noted that this work was high priority given the stakeholder's concerns around excess capacity. <p><i>Action Items: The IMO to amend the pre Rule Change Proposal articulating justifications for the recycling regime and present the PRC to the MAC.</i></p> <p><i>IMO to publish Mr Thomas' presentation on the IMO website.</i></p>	<p>IMO</p> <p>IMO</p>
9a.	<p>Market Rule Change Overview</p> <p>Ms Ryan noted the IMO is not actively consulting on any Rule Changes at present and that the imminent merger of Verve Energy and Synergy has impacted on the work load of the Market Development team.</p>	
9b.	<p>PRC_2013_16: Availability. Outages and Constraint Payments for Non-Scheduled Generators</p> <p>The Chair deferred PRC_2013_16 to the next available MAC.</p> <p>Mr Stevens raised concerns regarding the defined terms in the pre Rule Change Proposal, in particular Outages definition. Mr Stevens stated he would consult with the IMO prior to the proposal being presented at the next MAC.</p>	
10.	<p>MARKET PROCEDURES</p> <p>Ms Ryan presented the current state of the IMO Market Procedures. The following was noted:</p> <ul style="list-style-type: none"> The IMO Procedures and Development Working Group met on 20 September 2013 and discussed several Procedures. Specifically those relating to Prudentials, Certification of Reserve Capacity, Settlement, and Reserve Capacity Performance Monitoring. Ms Ryan noted all these Procedures should progress into the formal process over the next couple of months once some amendments have been completed. Ms Ryan also noted that there has been a recent change to the IMS Interface Procedure and a large amount of activity on PSOP's, with some Procedures undergoing consultation. Mr Kelloway mentioned the next discussion with the IMO regarding System Management PSOPs is scheduled for 17 October 2013. 	
11.	<p>WORKING GROUP UPDATE</p>	

	<p>The Chair moved to nominate Ms Erin Stone (IMO) to the IMO Procedures and Development Working Group as the IMO representative, replacing the position vacated by Ms Fiona Edmonds. This nomination was approved by the MAC.</p> <p>The Chair then moved to nominate Mr Stuart Richardson (ERM Power) to the System Management PSOP Working Group. This nomination was approved by the MAC.</p>	
12.	<p>GENERAL BUSINESS</p> <p>Ms Yang stated that the ERA is in the process of preparing its 2013 WEM Report for the Minister of Energy, with submissions closing on Monday 14 October 2013.</p> <p>No other general business was noted.</p>	
CLOSED: The Chair declared the meeting closed at 5.11 pm.		