



Minutes

MEETING TITLE Market Advisory Committee

MEETING NO 85

DATE Wednesday 14 October 2015

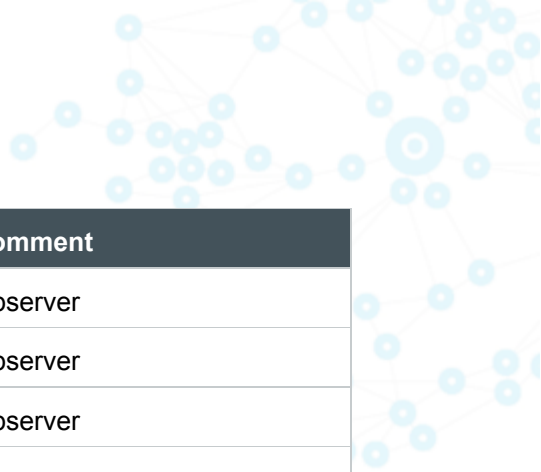
TIME 2:00 PM – 3:25 PM

LOCATION IMO Board Room, Level 17, 197 St Georges Terrace Perth

Attendees	Class	Comment
Martin Maticka	Chair	Proxy
Erin Stone	Compulsory – IMO	
Dean Sharafi	Compulsory – System Management	
Will Bargmann	Compulsory – Synergy	
Matthew Cronin	Compulsory – Western Power	(3:00 PM – 3:25 PM)
Andrew Stevens	Compulsory – Generator	
Wendy Ng	Compulsory – Generator	
Shane Cremin	Compulsory – Generator	
Steve Gould	Compulsory – Customer	
Geoff Gaston	Compulsory – Customer	
Peter Huxtable	Discretionary – Contestable Customer	(2:45 PM – 3:25 PM)
Simon Middleton	Minister's Appointee – Observer	
Ray Challen	Minister's Appointee – Small Use Consumer Representative	
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	

Apologies	Class	Comment
Allan Dawson	Chair	Proxy attended
Michael Zammit	Compulsory – Customer	

Also in attendance	From	Comment
Brett Hausler	Australian Energy Market Operator (AEMO)	Observer



Also in attendance	From	Comment
John Rhodes	Alinta Energy	Observer
Chris Campbell	Alinta Energy	Observer
Rajat Sarawat	ERA	Observer
Jodie McDonnell	Kleenheat	Observer
Mia Threnoworth	Synergy	Observer
Adrian Theseira	System Management	Observer
Mike Davidson	System Management	Observer (2:30 PM – 3:25 PM)
Mark Katsikandarakis	IMO	Observer
Katelyn Rigden	IMO	Presenter
Ben Connor	IMO	Presenter
Caroline Cherry	IMO	Observer and Minutes
Greg Ruthven	IMO	Observer
Neetika Kapani	IMO	Observer
Peter Shardlow	IMO	Observer

Item	Subject	Action
1.	Welcome The Chair opened the meeting at 2:00 PM and welcomed all members to the 85th meeting of the Market Advisory Committee (MAC).	
2.	Meeting apologies/attendance The following apologies were received: • Allan Dawson • Michael Zammit The following presenters and observers were noted: • Brett Hausler (Observer – (AEMO) • John Rhodes (Observer – Alinta Energy) • Chris Campbell (Observer – Alinta Energy) • Rajat Sarawat (Observer – ERA) • Jodie McDonnell (Observer – Kleenheat) • Mia Threnoworth (Observer – Synergy) • Adrian Theseira (Observer – System Management) • Mike Davidson (Observer – System Management) • Mark Katsikandarakis (Observer – IMO) • Katelyn Rigden (Presenter – IMO)	

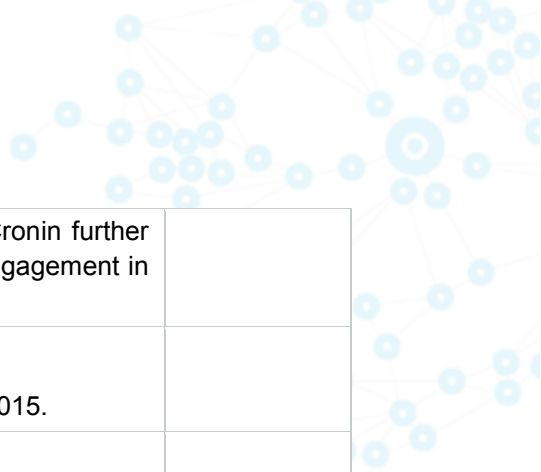
	• Ben Connor (Presenter – IMO) • Caroline Cherry (Minutes and Observer – IMO) • Greg Ruthven (Observer – IMO) • Neetika Kapani (Observer – IMO) • Peter Shardlow (Observer – IMO)	
3.	Minutes of previous meeting The minutes of meeting No 84 held on 9 September 2015 were circulated to members prior to the meeting. Mr Will Bargmann noted that, on page 9 of 10, the references to ‘Supplier of Last Resort’ were not appropriate. The Chair agreed to clarify the minutes accordingly. <i>Action Point: The IMO to amend the minutes and publish as final on the Market Web Site.</i>	IMO
4.	Actions arising The Chair invited Ms Erin Stone to update the MAC on the actions. Ms Stone took the completed actions as read and noted the following updates: • Actions 47, 9 and 15 related to progressing Rule Change Proposals and have therefore been deferred. • Action 55 related to progress on the Competing Applications Group (CAG) process. Mr Matthew Cronin provided an update. Mr Cronin noted that seven of the eight offers made to CAG participants had been accepted. Western Power was progressing well with the pre-dispatch solution, and anticipated that with AEMO becoming the market operator, Western Power could leverage AEMO’s tools. Mr Shane Cremin queried whether utilising AEMO’s tools for constrained access would change the costs outlined in the preliminary access offers that had been made to the CAG participants. Mr Cronin responded that Western Power would honour the offers as best as they could noting the changing market environment and conditions. • Action 27 related to the costings and plan for the transfer of System Management functions to the IMO. The Chair noted that with the transfer the majority of the IMO’s functions into AEMO and this item would be closed. • Action 28 related to the deferral of the five-yearly reviews and remained open. Ms Stone noted that the IMO was preparing a paper for the Electricity Market Review (EMR) Steering Committee’s consideration. • Action 38 related to Western Power researching whether services currently provided under Dispatch Support Service (DSS) contracts are required to avoid deferral of network augmentation. Ms Stone asked Mr Cronin to clarify whether the DSS contracts were required because of network infrastructure issues. Mr Cronin responded that that was the perception, and that if a constrained access regime was adopted, the need for the existing contracts may be removed. Mr Cronin further noted that the individual Facilities would	

	need to be considered together with the network constraints and dispatch approach, and whether the need was a function of the market in the way Facilities bid or a function of a need for network augmentation. Mr Dean Sharafi noted that the issue should be viewed from a timeline perspective, noting these were the contracts approved by the ERA and put in place prior to market start to target certain outcomes; therefore it was difficult to say whether the issues they addressed were network or dispatch issues. Ms Stone noted that the principle that these arrangements would no longer be required because the market was moving to constrained access did not hold true, as there were network support payments on the east coast, and that it would be necessary to consider the existing arrangements, including who bears the costs, as part of the EMR. Mr Cronin responded that Western Power was confident there would be no network support requirement. Mr Simon Middleton noted that he would notify the Network Regulation Working Group that this issue was something to consider as part of the EMR workstream. Mr Geoff Gaston noted that there needed to be a framework to determine whether the services provided were network support or dispatch support. Mr Bargmann noted that there was no clear definition of either Network Control Service or DSS. Mr Bargmann noted further that it appeared that some factually incorrect information regarding DSS contracts had previously been minuted, and that he would provide further details. Mr Cremin noted the historic nature of the contracts was important considering when the agreements had been entered into and whether that had occurred prior to market start. Mr Cremin further noted that the MAC had for a long time sought to determine who was responsible for such costs. Mr Sharafi responded that existing DSS contracts were based on the fact the generators concerned were part of the Synergy portfolio and Synergy did not receive constrained on and off payments. Therefore in the absence of a DSS contract those payments could have been a constrained on payment which was effectively the same outcome; what mattered was the clarification of the costs and where they needed to be allocated. Mr Greg Ruthven noted there was a similar concept in the National Electricity Rules (NER), namely the 'network support and control ancillary service' payment. The arrangements were such that in the first instance the responsibility was the Network Service Provider but that there was a backup in that AEMO could procure those services and on-charge them. The Chair noted that the item would be closed on the basis that the EMR team would consider the issue further.	
5.	Discussion: Progression of Rule Change Proposals Ms Stone noted the IMO Board would consider the deferral, until the end of year, of the remaining three Draft Rule Change Reports: • Rule Change Proposal: Outage Planning Phase 2 – Outage Process Refinements (RC_2013_15); • Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC_2014_06); and	

	• Rule Change Proposal: Managing Market Information (RC_2014_09).	
6.	Discussion: Electricity Market Review update The Chair invited Mr Middleton to provide an update on the EMR. The following points were noted: • Mr Middleton noted that the EMR team would be holding another industry briefing forum, most likely in early December 2015. Mr Middleton noted the drafting instructions for the Application Act to adopt the NER would soon be considered by the EMR Steering Committee, and that the legislative process was intended to be finalised by October 2016. • Mr Middleton noted that the EMR Steering Committee would consider whether the national retail customer protection framework would be adopted or the existing WA customer protection framework amended in late November 2015. • Mr Middleton noted that work had been progressed on the customer contractual relationship structure and that WA would be moving towards the national approach of a 'triangular model', wherein the customer has a relationship with both the distribution network service provider and a retailer. • Mr Middleton noted that a position paper on the proposed changes to the Reserve Capacity Mechanism (RCM) would be released in November 2015. • Mr John Rhodes queried how many position papers would be released prior to Christmas and how long consultation would be open for. Mr Middleton responded there would be papers released on the RCM and the Rule Change Assessment Panel (RCAP). Dr Ray Challen noted that any position papers that required responses prior to Christmas would be released by mid-November 2015 at the latest. • Dr Challen noted that a revised position paper on the RCAP would be released, but considering consultation had already been undertaken on this matter a shorter consultation period would be expected. Mr Middleton further noted the new position paper would represent variants to, rather than fundamental change from, the options canvassed in the previous position paper. • Mr Gaston queried whether there was a firm date for the release of the RCM position paper. Dr Challen responded there was no hard date but that the aim was for the end of the second week of November 2015. • Ms Wendy Ng queried whether the RCAP paper would address how the MAC might function. Dr Challen responded that there would be changes to the MAC arrangements, and that the RCAP would need to undertake its own industry consultation and engagement, and that it was assumed AEMO would have its own stakeholder engagement policies and procedures. Dr Challen noted that the MAC functions might be split across two bodies, but that the position paper would address those matters. • Mr Cremin queried whether AEMO would operate the Wholesale Electricity Market (WEM) under the local or national rules. Dr Challen responded that AEMO would operate the WEM according to the WEM Rules.	

- Dr Challen noted the rationale to transfer the IMO's market operation functions and the system operation functions to AEMO became apparent during the work to adopt the NER.
- Dr Challen noted that industry consultation on the decision to transfer the IMO's market operation functions to AEMO was not undertaken because of the short timeframe in which the decision had to be made and the fact that while it had been two to three months in progress, the agreement was not finalised until the day before the announcement.
- Dr Challen noted that the first priority was to transfer the market operation functions to AEMO and that the movement of system operation functions would occur at a later date. Dr Challen further noted that the PMO intended to have regulations gazetted for the IMO's market operation functions to be transferred to AEMO on 30 November 2015.
- Dr Challen noted that any costs the IMO incurred that were unrecovered, and were incurred in the normal course of business, would continue to be recovered from Market Participants. Dr Challen further noted that the costs should not be materially different than it had been budgeted for and that there were also staff matters that needed to be determined.
- Dr Challen noted that the IMO's current rule making and Market Participant compliance functions would not be transferred to AEMO, and that therefore a home needed to be found for those functions and staff transferred accordingly. Dr Challen further noted that the IMO would continue to exist as an entity for some time beyond 30 November 2015 and that the remaining functions would continue to exist in that IMO entity. Consultation on an ultimate home for these functions and associated staff is expected to commence in the second week of November 2015. The IMO is expected to be wound up on 30 June 2016.
- Mr Brett Hausler noted that after the 30 November 2015 deadline an AEMO Executive General Manager would be located in Perth to manage all operational aspects; that all transferring IMO groups would remain as they were; and that IMO staff to support the transferring functions would be offered employment with AEMO.
- Dr Challen noted that the State Government was in the process of becoming an owner of AEMO. Dr Challen further noted that AEMO would seek to change its company constitution to allow WEM Market Participants to become members of the company. Mr Hausler confirmed that AEMO would seek agreement on the constitution changes at a special General Meeting in early 2016.
- Mr Andrew Stevens queried whether the governments were required to purchase shares in AEMO. Mr Hausler noted that there was no charge associated with becoming a member, but that members would assume a liability to provide a guarantee, the amount of which at present was one dollar.
- Mr Gaston queried whether IMO settlements arrangements, bank accounts and security deposits would have to change as of 30 November 2015. The Chair responded that they would, and that the IMO and AEMO were currently working through how to achieve that transition. The Chair further noted that once this matter was

	determined, it would be communicated to Market Participants as soon as possible. Mr Cremin queried whether the change would have much impact on System Management's business. Mr Sharafi responded that AEMO had some expertise that System Management could leverage but that System Management would still operate under the current ring-fenced regime until the appropriate legislative amendments were made.	
7.	Proposed changes to non-active Balancing Facility conditions The Chair invited Ms Katelyn Rigden to present the proposed changes to the non-active Balancing Facility condition. The following points were discussed: - Mr Bargmann noted that the change in the condition from 'may' to 'must' could have a big financial impact on the smaller non-active Balancing Facilities and queried whether a cost benefit analysis had been undertaken. Ms Rigden responded that a cost benefit analysis had not been undertaken but this condition is required in order to provide reliable information for dispatch. - Mr Bargmann noted that the IMO could be given discretion as to whether the condition applied. Mr Mark Katsikandarakis responded that the intention of the change was to align the condition with how the WEM Rules were currently worded. - Mr Cremin queried whether the changes being consulted on were classed as a rule change. Mr Katsikandarakis responded that it was not a rule change but a condition change, and noted that under clause 7A.1.11 of the WEM Rules the IMO can impose a condition on a Facility. Mr Katsikandarakis noted the condition will be published in October 2015 for consultation and that publication would be noted in RulesWatch. <i>Action Point: The IMO to publish the proposed changes to the non-active Balancing Facility condition on the Market Web Site, with an invitation for submissions.</i>	IMO
8.	Margin Values update The Chair invited Mr Ben Connor to provide an update on Margin Values. Mr Connor noted that the IMO had recently closed the consultation period on the Jacob's Draft 2016/17 Margin Review Assumptions Report, and that no submissions had been received during the consultation period, but that the IMO had undertaken targeted consultation with Synergy and System Management. Mr Connor noted however that a request had been received to allow an out of session submission, and that the IMO would try and accommodate the late submission so long as it did not impact on the IMO's ability to meet the required timeframes as set out in the WEM Rules.	
9.	Working Groups update Ms Stone noted there were no changes to the membership of the Working Groups and no meetings had taken place.	
10.	General business Ms Ng queried whether there had been any resolution on the gap year for Western Power's network pricing tariffs under the EMR. Mr Middleton responded that there was a paper being progressed to the	



	EMR Steering Committee for their consideration soon. Mr Cronin further noted that Western Power was planning to start customer engagement in late October 2015.	
11.	Next meeting The next meeting will be held on Wednesday 11 November 2015.	
12.	Close The Chair declared the meeting closed at 3:25 PM.	