



Agenda Item 7c: MRCP Working Group- Response to MAC Feedback

1. BACKGROUND

Each year the Independent Market Operator (IMO) is required to conduct a review of the Maximum Reserve Capacity Price (MRCP) that sets the cap for the Reserve Capacity Auction in the event that one is held.

The Market Procedure for the determination of the Maximum Reserve Capacity Price¹ (Market Procedure) sets out the principles to be applied and steps to be taken by the IMO in undertaking this process.

Clause 4.16.9 of the Wholesale Electricity Market Rules (Market Rules) requires that the IMO review the Market Procedure at least once in every five year period. The IMO considers that this review would be best undertaken with the assistance of a working group established under the auspices of the MAC.

A proposed Terms of Reference (ToR) and a specific list of key issues to be resolved by the working group were developed for MAC review and comment.

2. MAC FEEDBACK

The IMO received comments on the ToR and scoping questions from Alinta. A summary of these comments and the IMO's response is contained in the table below.

Section	Comment	IMO response
Project timeline	Needs to be updated.	Agreed, the timelines have been updated to: <ul style="list-style-type: none"> • Call for nominations: 10 May 2010 • Working group appointed: 21 May 2010 • Initial working group meeting: 31 May 2010 • Membership and initial workplan presented to MAC: 16 June 2010
ToR: Scope	The scope of the working group should not include consideration, assessment and development of changes to the Market Rules. The requirement in Market Rule 4.16.9 is	Agreed, the ToR has been amended.

¹ http://www.imowa.com.au/f711,231575/Market_Procedure_for_Maximum_Reserve_Capacity_Price.pdf

Section	Comment	IMO response
	<p>clearly limited to a review of the Market Procedure.</p> <p>If the working group considers changes to the Market Rules are desirable or necessary, these should be referred back to the MAC.</p>	
ToR: Key tasks and milestones	Alinta queried whether the Chair will also work or consult with the working group on the Work Plan.	Yes, the Chair will consult with the working group on the Work Plan.
ToR: Reporting arrangements	Alinta noted that, given the tight time lines for the review, it may be preferable for the Working Group report back to the MAC at least every month (instead of at least every two months).	The MAC appointment guidelines state working groups are to report to MAC once every two months, but in this instance, monthly is appropriate.
Scoping Questions	An additional question might be whether fixed gas pipeline transmission costs should be included in the calculation of the MRCP (as fixed electricity transmission network connection costs already are).	Agreed. The scoping questions have been amended to include this.

3. PROCESS FROM HERE

The IMO will publish a call for nominations for the MRCP Working Group during the first half of May 2010, with the intention that its first meeting will be held during the second half of May 2010.