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## **Agenda Item 10: Annual Review of MAC Composition- Stakeholder Feedback**

### **1. BACKGROUND**

Each year the IMO is required to review the composition of the MAC. To improve the annual process the IMO recently reviewed the MAC Constitution and Market Rules and developed the MAC Appointment Guidelines. These improvements provided the IMO with a framework for making changes to the MAC membership and guidelines for making merit based appointments.

As part of the review the different membership types (compulsory, discretionary and observer) were defined. The Compulsory Class membership status of Verve Energy (the Electricity Generation Corporation) and Synergy (the Electricity Retail Corporation) was linked to their roles as balancer and retailer for the franchise market (see the 29 April 2009 MAC minutes).

In December 2009 the IMO requested nominations for MAC membership for the 2010 calendar year. Following the new appointment process, the IMO assessed all nominations to ensure a balanced MAC membership. This ensured that, as a collective, the MAC displays:

- detailed understanding of the technical, design and commercial aspects of the WEM;
- ability to consider market design issues and options for market evolution; and
- knowledge of the powers and obligations of the IMO and the framework within which it operates.

Following the 2010 review a Market Participant raised some concerns with the appointment process. These include:

- whether Verve Energy and Synergy should be Compulsory Class members; and
- the IMO's ongoing role in the selection of members.

In response to the feedback received the IMO Board requested that the IMO review the issues and pose a set of questions for MAC discussion.

### **2. FURTHER ASSESSMENT OF THE ISSUES**

#### ***Compulsory Class status of Verve Energy and Synergy***

The requirement for Verve Energy (the Electricity Generation Corporation) and Synergy (the Electricity Retail Corporation) to be Compulsory Class members is specified in clause 2.3.5 of the Market Rules, and is linked to their positions in the market as the balancer and retailer for the franchise market, respectively.

The IMO has previously indicated that it will review the membership type of these entities as the market develops and structural change occurs (see the 29 April 2009 MAC minutes). The IMO considers that key indicators of a review in MAC membership type of Verve Energy or Synergy would be:

- changes in the Balancing arrangements (e.g. introduction of competitive Balancing); or
- the development of Full Retail Competition.

The position of both Verve Energy and Synergy on the MAC as Compulsory Class members was questioned following the 2010 review.

The IMO considers it appropriate that the MAC discuss the following questions:

- Should Verve Energy and Synergy continue to be Compulsory Class members; and
- If so, is the IMO's process for reviewing their status (i.e. when the market develops and structural change occurs) appropriate.

### ***The IMO's role in the selection of MAC members***

The IMO's responsibility to annually review the composition of the MAC and appoint and/or remove members following this review is specified in clause 2.3.9 of the Market Rules. The IMO must consult with and take nominations from Rule Participants and industry groups that it considers relevant to the Wholesale Electricity Market (clause 2.3.10), and if practicable to appoint members from those nominated. To guide the IMO in this role the amended MAC Constitution and MAC Appointment Guidelines provide details of the annual review process and basis for any appointment decisions.

Following the 2010 review, one Market Participant questioned whether the IMO is the appropriate party for appointing Discretionary Class members.

The IMO considers that alternative selection models could be:

- Discretionary class members (i.e. Market Generators, Market Customers and Large Contestable Customers) could elect their MAC representatives; or
- The relevant industry groups (i.e. CME or CCIWA) could appoint the Discretionary Class members.

Given the importance of Discretionary Class members as representatives of a class of participants, the IMO considers that the MAC discuss the following questions:

- should the IMO continue in its current role of selecting Discretionary Class members; or
- should the IMO consider an alternative method for selecting Discretionary Class members and present this analysis at a future MAC meeting.

### 3. RECOMMENDATIONS

The IMO recommends that the MAC:

- **discuss** whether Verve Energy and Synergy should continue to be Compulsory Class members of the MAC;
- **discuss** whether an alternative model for selecting Discretionary Class members should be further investigated.