

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	29
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 16 June 2010
Time:	Commencing at 2.00 - 5.20 pm

Attendees	Class	Comment
Allan Dawson	Chair	
Troy Forward	Compulsory – IMO	
Stephen MacLean	Compulsory – Customer	
Ken Brown	Compulsory – System Management	
Wendy Ng	Compulsory – Generator	
Neil Gibbney	Compulsory – Network Operator	Proxy
Corey Dykstra	Discretionary – Customer	
Steve Gould	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Andrew Sutherland	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Rob Pullella	Observer – ERA	Proxy
Tony Perrin	Minister's appointee/ Small Use Customers	
Also in attendance	From	Comment
Kynan Smith	Synergy	Presenter
Alistair Butcher	System Management	Presenter
Jenny Laidlaw	IMO	Minutes
Jacinda Papps	IMO	Observer
Ben Williams	IMO	Observer
Fiona Edmonds	IMO	Observer
John Rhodes	Synergy	Observer

Item	Subject	Action
1.	WELCOME The Chair opened the meeting at 2.00 pm and welcomed members to the 29th meeting of the Market Advisory Committee (MAC).	

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2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>Apologies were received from:</p> <ul style="list-style-type: none"> • Peter Mattner (Western Power); and • Chris Brown (ERA). <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> • Rob Pullella (proxy for Chris Brown) • Neil Gibbney (proxy for Peter Mattner) • Kynan Smith (Presenter) • Alistair Butcher (Presenter) • John Rhodes (Observer) • Jacinda Papps (Observer) • Fiona Edmonds (Observer) • Ben Williams (Observer) 	
3	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 28, held on 12 May 2010, were circulated prior to the meeting.</p> <p>The following amendments were agreed:</p> <p><u>Page 3: Section 3: Minutes of Previous Meeting</u></p> <ul style="list-style-type: none"> • “The OoE noted a preference to develop a solution through the MAC given the committee’s technical knowledge. My <u>Mr</u> Dykstra noted that this provides an opportunity ...” <p><u>Page 3: Section 4: Actions Arising</u></p> <ul style="list-style-type: none"> • “Mr Dykstra requested clarification on what was being contemplated. It was noted that <u>the costs of dual fuel firing and fuel storage (gas) were to be covered recovered from the market.</u>” <p>The importance of a timely resolution to this project was noted by the MAC.</p> <p><u>Page 5: Section 7b: REGWG Work Package 1: Interim Report – Scenarios for Modelling Renewable Generation in the SWIS</u></p> <ul style="list-style-type: none"> • “Ms Ng noted the that under most of the scenarios presented in the report OCGTs and CCGTs are assumed to be gas-fired...” <p><u>Page 10: Section 8a: Market Rules Design Review: Workshop Overview</u></p> <ul style="list-style-type: none"> • “Dr Gould considered that <u>asked if</u> there is a hidden threat about the timescale, in that a decision may be imposed if the MAC does not reach one soon.” <p><u>Page 12: Section 9a: Reserve Capacity Security</u></p> <ul style="list-style-type: none"> • “Discussion Point 4: The MAC discussed whether RSC <u>RCS</u>” 	

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	<p>should be released before RCOQs apply when a Facility has entered the market early...</p> <p>Mr McKay stated that there was no benefit in holding RSC <u>RCS</u> that is no”</p> <p><u>Page 13: Section 9b: Curtailable Loads</u></p> <ul style="list-style-type: none"> “Mr MacLean noted a concern that aggregators are unregulated and that an aggregator could deceive a customer by failing to inform it of the obligations it would incur in return for the payments being offered. Mr Dykstra expressed a similar concern. The Chair suggested that the Trade Practices Act may prohibit this type of behaviour. <u>Mr Dykstra noted that he shared Mr MacLean’s concern that DSM aggregators are currently unregulated.</u>” <p><u>Page 14: Section 9b: Curtailable Loads</u></p> <ul style="list-style-type: none"> “Mr Dykstra considered that the process was not very efficient. Mr Zammit responded that the process is efficient from Energy Response’s viewpoint, as it allowed it to provide System Management with a reliable load reduction when needed.” <p>Subject to the agreed amendments, the MAC endorsed the minutes as a true and accurate record of the meeting.</p> <p><i>Action Point: The IMO to amend the minutes of Meeting No. 28 to reflect the points raised by the MAC and publish on the website as final.</i></p>	IMO
4	<p>ACTIONS ARISING</p> <p>The actions arising were either complete or on the meeting agenda. The following exceptions were noted:</p> <p>Item 35: Ongoing.</p> <p>Item 37: Underway.</p> <p>Item 41: The Chair noted the draft letter to the Minister included in the MAC papers for this meeting. The MAC agreed for the Chair to send the letter to the Minister.</p> <p>Item 44: Mr Forward advised that work was underway. The Fuel Study (presented at the April MAC meeting) is with the Office of Energy (OoE) for inclusion in the “Review of Gas Contingency Service Options” project. In response to a request, Mr Tony Perrin noted that this project is likely to span the remainder of 2010, noting that a consultant had been engaged to assist. Mr Dykstra requested circulation of the Consultant’s Terms of Reference. Instead Mr Perrin offered to provide regular updates to the MAC on the progress of this work.</p> <p><i>Action Point: The OoE to update the MAC on the progress of the review of gas contingency service options every second MAC meeting.</i></p> <p>Item 54: The Chair noted the summary of MAC member comments on the Vesting Contract Review. The MAC noted that the Chair would table these comments at the Steering Group meeting of 17 June 2010.</p>	OoE

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	<p>Item 59: Not started.</p> <p>Item 60: Underway. The IMO and System Management will discuss the appropriate level of testing required.</p> <p>Item 61: Underway.</p> <p>Item 62: Underway. The Chair asked if the letter should be sent to the ERA or the OoE. It was agreed that this action point be amended to refer to a letter to be provided to both the OoE and ERA.</p> <p>Item 63: Underway.</p> <p>Item 65: Mr Forward advised that work had not started and noted Perth Energy's Rule Change Proposal was on the meeting agenda. The Chair noted that the IMO Board requested resolution of this issue before the next selection of MAC members.</p>	
5a	<p>MARKET RULE CHANGE OVERVIEW</p> <p>The MAC noted the overview of the Market Rule changes.</p> <p>Mr Forward noted that there is ambiguity in the Market Rules around awarding Capacity Credits to a Non-Scheduled Generator (generators with a rated capacity less than 10 MW). It was noted that, as Non-Scheduled Generators cannot be dispatched up, the IMO does not consider it reasonable for them to receive Capacity Credits, especially when System Management cannot call on them in a contingency event. Mr Forward noted that the current rules represent an inefficient outcome and the IMO will seek to remedy this in the Certified Reserve Capacity (CRC) Rule Change Proposal (PRC_2010_14).</p> <p>Mr Dykstra noted that Alinta has identified another issue affecting Intermittent Generators and the use of three year averages in awarding CRC. In this case the effect of an Intermittent Generator being dispatched downwards (which is reflected in its Metered Schedules) is a reduction in the amount of Capacity Credits awarded. Mr Dykstra noted that this seems to be an anomaly and will seek to remedy this in a Rule Change Proposal.</p> <p>It was agreed that the IMO and Alinta discuss whether to include both these issues in PRC_2010_14.</p> <p><i>Action Point: The IMO and Alinta to discuss whether Alinta's issues around Certified Reserve Capacity and Intermittent Generators should be included in PRC_2010_14.</i></p> <p>Mr Brown queried whether a small generator willing to be dispatched by System Management would still receive Capacity Credits under the IMO's proposal. Mr Forward indicated they would likely receive Capacity Credits, noting that they would require communication systems that allowed them to talk to System Management and be dispatched.</p>	IMO
5b	<p>MAC MEMBERSHIP REVIEW [RC_2010_15]</p> <p>The Chair noted Perth Energy's Rule Change Proposal: MAC Membership Review (RC_2010_15), which seeks to expand the MAC by two additional</p>	

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	<p>Discretionary Class members, one representing Market Customers and the other Market Generators. The Chair noted that originally he had been concerned about the size of the MAC as it was a large group for constructive decision-making, and although 8 members is an optimal group size he considered that the MAC is currently working well and would not necessarily be affected by two additional members.</p> <p>The following points were discussed/noted:</p> <ul style="list-style-type: none"> • What would happen next time someone did not get appointed to the MAC and requested that additional places be created. It was noted that the MAC should not just keep expanding at the request of participants; • A larger group would not necessarily improve the quality of debate, as this depends more on the individual members; • All members needed to contribute to MAC discussion and not all members had done this in the past. It was noted that there has been a significant improvement since the appointment of the 2010 MAC; • If participants use the MAC purely to gain information then this would result in a one-way information flow that could lead to problems; • A requirement for MAC members to attend meetings could be introduced (it was confirmed that this was already included in the MAC Constitution); • There is benefit from MAC membership, but there are other ways for participants without MAC membership to become involved in the process, for example through their Discretionary Class representatives; • The Market Generators forum has meant that Market Generator representatives had made progress in representing the views of the wider group; and • A significant amount of work had been put into developing the MAC process, and Market Participants now have a better idea of the role of their representatives, although there is still some development required. <p>The importance of open access to what occurs at MAC meetings was noted. The Chair noted that to help ensure this the IMO:</p> <ul style="list-style-type: none"> • has implemented an open access approach to most Working Groups; and • publishes MAC papers on the IMO website at the same time as they are received by MAC members, to allow a participant to raise issues with its representatives or request to attend a MAC meeting as an observer if relevant issues are to be discussed. <p>The IMO will consider the comments made by MAC members when assessing this Rule Change Proposal.</p> <p><i>Action Point: The IMO to take the MAC's comments into consideration when preparing the Draft Rule Change Report for RC_2010_15.</i></p>	<p>IMO</p>

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6a	<p>MARKET PROCEDURE CHANGE OVERVIEW</p> <p>Mr Forward noted that, as agreed at the Maximum Reserve Capacity Price (MRCP) Working Group (MRCPWG), the Procedure Change Proposal: Determination of the Maximum Reserve Capacity Price (PC_2010_04) will be presented to the IMO Procedure Change and Development Working Group at its next meeting. Mr Forward noted that the proposed amendments will seek to reinstate the 2009 MRCP Major Component values.</p> <p>The MAC noted the overview of recent and upcoming procedure changes.</p>	
7a	<p>WORKING GROUP OVERVIEW</p> <p>The MAC agreed to the proposed amendment to the membership of the IMO Procedure Change and Development Working Group.</p> <p><i>Action Point: IMO to publish the updated Terms of Reference for the IMO Procedure Change and Development Working Group.</i></p>	IMO
7b	<p>MRCP WORKING GROUP – MEMBERSHIP AND PROPOSED WORK PROGRAMME</p> <p>Mr Forward noted that the first meeting of the MRCPWG was held on 31 May 2010. At this meeting it was agreed to expand the membership to include a Demand Side Management (DSM) aggregator representative. As a result Mr Pablo Campillos has been appointed to the MRCPWG.</p> <p>The MAC discussed the calendar of milestones, noting that the dates were still to be finalised due to uncertainty around the key questions such as transmission pricing. The Chair noted that transmission pricing was a significant driver in determining MRCP.</p> <p>Mr Dykstra noted the following two significant outputs expected from the MRCPWG:</p> <ul style="list-style-type: none"> • a review of the methodology and simple mechanics for the process, for example where data was sourced and what calculations were used; and • consideration of how the MRCP is used within the Market Rules. <p>Mr Dykstra noted that the second point was outside the MRCPWG's Terms of Reference and so any identified issues would be presented back to the MAC.</p> <p>The MAC approved the work programme for the MRCPWG.</p>	
7c	<p>REGWG UPDATE</p> <p>Mr Forward discussed the progress of the Renewable Energy Generation Working Group (REGWG), noting that its next meeting will be held on 24 June 2010. Mr Forward noted that the REGWG work was progressing well and highlighted the following points.</p> <ul style="list-style-type: none"> • Work Package 2 - The IMO will develop an assessment framework to assess the different mechanisms proposed for the assignment of Capacity Credits to Intermittent Generators. Different options have been proposed by McLennan Magasanik Associates (MMA), the OoE and System Management. 	

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	<ul style="list-style-type: none"> • Work Package 3 - The REGWG is working through the draft report from ROAM Consulting. Mr Forward noted that the report predicts a requirement for approximately 300 MW of Frequency Control Services by 2020 with the view that this could be covered by existing plant. There are still outstanding issues relating to costs and procurement as well as the settlement formula in the Market Rules • Work Package 4 - Underway <p>The Chair noted that the Oates Steering Committee, the ERA and several other parties were very keen to see the Load Following proposals that arise from this work.</p> <p>Mr Cremin raised concerns about the runway methodology used to allocate Spinning Reserve costs. Mr Cremin considered that this was becoming a strong price signal to generators, who were concerned about which band they fell into for the cost allocation process.</p> <p>The Chair emphasised the need to conclude the work as soon as possible.</p>	
8a	<p>MARKET RULES DESIGN REVIEW – VERBAL UPDATE</p> <p>Mr Forward thanked representatives for their attendance at the Market Rules Design Workshop held the previous day. The MAC was requested to provide any comments and additional information requirements by Wednesday 23 June 2010. The IMO will collate these comments and circulate.</p> <p><i>Action Point: MAC members to email the IMO their information requirements and questions on the market design options by Wednesday 23 June 2010.</i></p> <p><i>Action Point: The IMO to consolidate the MAC's information requirements and questions on the market design options and circulate to the MAC.</i></p> <p><i>Action Point: The IMO to provide responses to the information requirements and questions on the market design options raised by the MAC as soon as possible but not later than 12 July 2010.</i></p> <p>The Chair advised that the IMO Board had asked the Chair to convey its positive feedback to the MAC on the way that work has progressed to date and to thank participants for their efforts.</p> <p>The Board had also stated that should option B or C be recommended then the Board would need to see the drivers for progressing to the more mature model clearly defined. The Chair noted that this was consistent with the feedback provided by most parties.</p> <p>The Chair offered to make members of the Market Rules Design Team available if necessary to help explain concepts to board members and key staff within the organisations represented by MAC members. The Chair noted the CEO briefing scheduled for 30 June 2010 to update on progress and the decision to be made at the July 2010 MAC meeting.</p> <p>Mr Dykstra asked whether the IMO was planning a briefing for industry before the next MAC meeting, including advice of the IMO's preferred option. Mr Forward replied that the IMO had no preferred option, and</p>	<p>MAC</p> <p>IMO</p> <p>IMO</p>

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	<p>suggested that an industry briefing be held after the July MAC meeting. It was noted that the following was expected to be presented at the July MAC meeting:</p> <ul style="list-style-type: none"> • Implementation system costs for the IMO and System Management of each option, as well as the expected impact on Market Fees. • Ongoing costs for the IMO and System Management of each option, as well as the expected impact on Market Fees. There was some discussion over an appropriate lifetime of the Market Systems; • Comparison with the NEM market fee rate; • Quantification of the benefits of each option (where possible), in effect providing a balanced scorecard for each option; • Timeframes for each option, covering Market Rule development, system procurement, etc. The IMO will need to work with System Management on the people impacts of the options; • The impact on the IMO's IT Roadmap if options B or C were chosen i.e. what changes may not be necessary. <p>Mr Cremin suggested that the Market Rules Design Team should consider what the market might be like in 10 years time, for example considering the use of gas turbines for Spinning Reserves to compensate for increased wind generation. Mr Brown considered that the use of gas turbines was a significant issue, with everyone assuming that these will provide the solution. The Chair considered that the problem with this assumption was not one of gas volumes but of flexibility in gas contract arrangements.</p> <p><i>Action Point: the IMO to work with System Management to develop estimates of the personnel impacts for each of the market design options.</i></p> <p><i>Action Point: The IMO to assess the impact of selecting options B or C on the IMO's IT Roadmap.</i></p>	<p>IMO/ SM</p> <p>IMO</p>
9a	<p>RELEVANT DEMAND</p> <p>Mr Forward noted that the IMO had presented an issues paper on Curtailable Loads at the 12 May 2010 MAC meeting, which outlined three options for measurement of the Relevant Demand (RD) level of a Curtailable Load. The MAC agreed that the IMO should undertake additional analysis to compare the three options presented.</p> <p>The IMO engaged Data Analysis Australia (DAA) to assist with this work. DAA has undertaken an initial investigation and its conclusions to date are summarised in the update provided in the MAC papers for this meeting. Mr Forward noted that DAA has been requested to undertake further analysis to determine which methodology best represents the curtailability of a DSM provider at peak demand times during the Hot Season.</p> <p>The MAC noted that DAA will be undertaking further analysis of the identified methodologies for determining the RD level for Curtailable Loads.</p> <p><i>Action Point: The IMO to continue to work with DAA on the methodology for measurement of Relevant Demand and report back to the MAC with the results of the study.</i></p>	<p>IMO</p>

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9b	<p data-bbox="362 247 1295 310">EXTENSION OF BILATERAL SUBMISSIONS TO MARKET CUSTOMERS [CP_2010_08]</p> <p data-bbox="362 325 1295 451">Mr Kynan Smith presented Synergy's Concept Paper: Extension of Bilateral Submissions to Market Customers (CP_2010_08), which seeks to introduce the ability for Market Customers to make Bilateral Submissions. A copy of the presentation is attached as Appendix 1.</p> <p data-bbox="362 483 889 514">The following points were noted/discussed:</p> <ul data-bbox="410 535 1295 1953" style="list-style-type: none"> <li data-bbox="410 535 1295 693">• Whether the Short Term Energy Market (STEM) already provides sufficient options for Market Customers who are overcommitted – Mr MacLean responded that technically this was correct, but that practically it was not, as the STEM cannot provide the same level of price and volume certainty as the Bilateral market. <li data-bbox="410 703 1295 861">• It was suggested that if Synergy has its Bilateral position wrong then it should be attempting to procure more customers. In response, Mr Smith stated that a retailer with a fixed block of supply that loses market share will need to increase prices for its remaining customers if it is unable to reallocate the excess supply. <li data-bbox="410 871 1295 1165">• Currently Synergy can on-sell electricity, but to do so requires the involvement of a generator and some generators are unable or unwilling to provide this service. Further, the current arrangements prevent Synergy from adopting a portfolio approach to the process. There was general discussion around whether the proposal represented a workaround for Synergy to replace inefficient contracts, and whether the desired outcomes could be achieved contractually. Mr MacLean considered that Synergy's issue related to the efficiency of these deals rather than their possibility. <li data-bbox="410 1176 1295 1438">• The issue of potential abuse of Market Power was raised, with suggestions made that Synergy has the benefit of the Vesting Contract and could take advantage of an inefficient Vesting Contract outcome. It was questioned how the proposal represented a move towards competitive neutrality. The responsibility of the IMO and the ERA to monitor any abuse of Market Power was noted. The Chair suggested that Synergy work with the ERA to determine how Market Power would be managed if the proposal was implemented. <li data-bbox="410 1449 1295 1764">• Some members questioned the benefits of the proposal to Market Participants other than Synergy. In response, it was suggested that the proposal could help new Market Customers who wanted to enter the market without also being a generator. There was some agreement that the proposal might benefit some Market Customers, but it was noted that there could be a problem with a major competitor knowing the price paid for generation. It was also suggested that the proposal could benefit a generator that is temporarily unable to supply, who can currently go to the STEM but does not have the option to go to a retailer like Synergy. <li data-bbox="410 1774 1295 1879">• Concerns were raised about the low marginal cost of the additional generation that Synergy is seeking to sell and its impact on competition in the market. <li data-bbox="410 1890 1295 1953">• It was suggested that the proposal would give Synergy the benefit of being a "synthetic generator". The current restrictions on Synergy 	

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	<p>becoming a Market Generator were noted, as was the review of these restrictions by the OoE scheduled for October 2010. Some members questioned whether synthetic generators should be allowed in the market and if so whether Synergy should be permitted to be one. It was suggested that Synergy might want to seek the current views of the OoE on these questions.</p> <ul style="list-style-type: none"> • Synergy was asked to provide more detail on the mechanics of how the proposal would work in practice, including the impacts on Resource Plans and penalties. In response, Mr Smith stated that as the Market Customer would not be acting as a generator there would be no need for it to submit Resource Plans. • Concerns were raised about the timing of the proposal, given the current status of the Market Rules Design Review. <p>Mr Dykstra considered that there was not a lot of enthusiasm for the proposal in the MAC, but that if people could see the benefits for them then the proposal may get more support. Mr Dykstra stated that he could not see the benefits for other participants.</p> <p>The Chair considered that the proposal did appear to introduce more competition, but that Synergy needed to provide further detail on:</p> <ul style="list-style-type: none"> • specific benefits to the market; • mechanisms to monitor and control Market Power; and • the mechanics of how the proposal would work in practice, including impacts on Resource Plans and incentives. <p>Mr Forward offered Synergy the opportunity to present their proposal to members of the Market Rules Design Team for review and feedback. Mr MacLean thanked Mr Forward for his offer. Mr Smith stated that if option B or C was selected as the preferred market design option then Synergy may choose not to submit the proposal but instead to seek its consideration during the development of the selected option.</p> <p><i>Action Point: Synergy to review its proposal for the Extension of Bilateral Submissions to Market Customers in more detail, and if appropriate re-present the proposal to the MAC, providing further detail on:</i></p> <ul style="list-style-type: none"> • <i>specific benefits to the market;</i> • <i>mechanisms to monitor and control Market Power; and</i> • <i>the mechanics of how the proposal would work in practice, including impacts on Resource Plans and incentives.</i> 	Synergy
10	<p>FUTURE PROCUREMENT OF SPINNING RESERVE AND LOAD FOLLOWING</p> <p>Mr Alistair Butcher presented an overview on the Future Procurement of Spinning Reserve and Load Following paper. System Management completed an Expression of Interest (EOI) process for Load Following in December 2009 with no response. Given this outcome, System Management investigated the reasons why there had been no responses and developed alternative procurement options for presentation to the MAC.</p>	

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	<p>Mr Butcher noted that participants had expressed a desire for greater participation in the provision of Ancillary Services, but were not willing to offer under the current pricing mechanism. As a result System Management developed the following two options to facilitate the future procurement of Ancillary Services.</p> <ul style="list-style-type: none"> • Option 2 – introduction of a payment mechanism based on lowest tendered fixed price for a fixed period. In this option least cost providers will be first called on to provide the service. This represents a simple tender process that would reduce the requirement on Verve Energy and help to create a level playing field for the provision of Ancillary Services. • Option 3 (preferred by System Management) – introduction of a payment mechanism based on lowest bid price (per interval or per day) on the Scheduling Day where the facilities are committed. In this option many facilities can provide the service. This option will allow a transparent, cost reflective price to be derived via a market mechanism. <p>System Management noted the following points about option 3:</p> <ul style="list-style-type: none"> • A similar process had been adopted in the NEM; • The bid stack prices would be published; • Payments would be made using the current market mechanisms; • Due to security constraints dispatch might not always take place entirely according to the bid stack; • Development would not impede the progress of the Market Rules Design Review work, as the proposed solution would work successfully with any of the options under consideration; • Similar mechanisms had already operating successfully in other markets; and • Implementation of such a mechanism could be within 6-12 months. <p>Mr Butcher noted that System Management is exploring the issues at this stage and that any formal proposal will be assessed against the Wholesale Market Objectives. As such, Mr Butcher sought MAC comments as well as MAC's endorsement for System Management to further explore option 3.</p> <p>The following points were discussed/noted.</p> <ul style="list-style-type: none"> • What is the boundary between balancing and Ancillary Services, noting that the solution is similar to a competitive balancing regime? It was noted that the two are related but that different payment mechanisms are involved. • Under the proposed mechanism it is currently expected that units used for Load Following will provide energy at MCAP. The proposed amendments mainly affect the availability payments. However, the detail is still to be worked through. • Will auctions be held every day, including weekends? Mr Butcher confirmed that this was the intention. • Will there be sufficient offers on the bid stack under option 3? Mr 	

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	<p>Butcher responded that there are a number of facilities with the capability to provide Load Following and suggested that the generator representatives might be able to provide comment on this question.</p> <ul style="list-style-type: none"> • How will System Management differentiate among multiple generators that were running and had capacity to provide the service? Mr Butcher noted that the decision would be based on the availability prices offered. There was some discussion about how the proposed payment mechanism varied from that prescribed in the current Market Rules. • When will the Load Following auction be held in relation to STEM processing (i.e. before or after)? Ms Ng noted that Verve Energy is currently notified of its Ancillary Services obligations before the opening of the STEM window. • If option 3 was implemented but Verve Energy was the only bidder then it might be in a position to bid whatever it wanted. Mr Butcher noted the mechanisms that currently exist to prevent the abuse of Market Power. <p>Mr Forward noted that the issue of Ancillary Services provision needs to be looked at in its entirety and stated that the REGWG had spent some time considering Load Following services. However, Mr Forward noted that these issues presented by System Management started to go outside the REGWG bounds. It was noted that System Management's concern was with the provision of the services, while the REGWG was concentrating more on the allocation of costs to participants.</p> <p>The Chair considered that there were still outstanding questions about costs and the details of how the mechanism will operate, including its interaction with the STEM.</p> <p>The Chair requested comments on what the proposal was looking to resolve, those noted were:</p> <ul style="list-style-type: none"> • Wider participation; • Efficient costs; • Flexibility for System Management; and • Reducing the dependency on Verve Energy. <p>The Chair noted that the proposal replaced the current regulated pricing with a market determined price, and asked the views of the Market Customer representatives. In response to the Chair's request:</p> <ul style="list-style-type: none"> • Mr MacLean noted that the proposal has some advantages and would help break down the close relationship between System Management and Verve Energy. Mr MacLean considered that the requirement was not for cheaper prices but for more efficient prices; and • Mr Dykstra noted that Ancillary Service costs have risen and considered that this indicates the need for competitive pressure. <p>The Chair questioned whether the MAC wanted System Management to</p>	

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	<p>progress the issue itself or via a working group convened under the MAC. Mr Brown considered that the involvement of the MAC was crucial. It was agreed that System Management would undertake additional analysis and then report back to the MAC. At that stage a decision on whether to convene a working group would be made.</p> <p><i>Action Point: System Management to further develop the details of option 3 for the future procurement of Spinning Reserve and Load Following and then provide an update to the MAC.</i></p>	SM
11	<p>GENERAL BUSINESS</p> <p>The Chair noted that Special Meeting No. 3 of the MAC will be held on the morning of Monday 19 July 2010. The Chair noted that the intention of the meeting was to get a preference from the MAC on the pathway.</p> <p>In addition to the discussion under agenda item 8a, the following was noted regarding the Market Rules Design Review:</p> <ul style="list-style-type: none"> • More information was needed regarding the details of options B and C. • The reason for needing a pathway decision in July was questioned. The Chair responded that the MAC had been looking at this for some time and that whichever pathway was chosen there was still a comprehensive cost/benefit analysis to be undertaken before any final decisions were made on options B or C. • Mr Dykstra stated that he still had a high level of discomfort about packages A1 and A2. Mr Dykstra considered that if the MAC decision was for pathway 3 then there was a need to decide on a list of the most important market issues that need to be addressed in the short term. <p>There was no other business raised.</p>	
12	<p>NEXT MEETING</p> <p>Special Meeting No. 3 will be held on Monday 19 July 2010 (9:00am – 12:00pm).</p> <p>Meeting No. 30 will be held 11 August 2010 (2:00-5:00pm).</p>	
CLOSED: The Chair declared the meeting closed at 5:20pm		