

## Independent Market Operator

### Market Advisory Committee

## Minutes

<b>Meeting No.</b>	25
<b>Location:</b>	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
<b>Date:</b>	Wednesday 9 December 2009
<b>Time:</b>	2:00 - 4:00pm

<b>Attendees</b>		
Allan Dawson	Independent Market Operator (IMO)	Chair
Troy Forward	IMO	Member
Geoff Gaston	Perth Energy	Proxy for Ky Cao
Steve Gould	Landfill Gas & Power (LGP)	Member
Phil Kelloway	System Management	Proxy for Ken Brown
Stephen MacLean	Synergy	Member
Wendy Ng	Verve Energy	Member
Corey Dykstra	Alinta	Member
Shane Cremin	Griffin Power	Member
Rob Pullella	Economic Regulation Authority (ERA)	Proxy for Chris Brown
Matthew Martin	Office of Energy (OoE)	Proxy for Anne Hill
Peter Huxtable	Water Corporation	Member
Peter Mattner	Western Power	Member
<b>Also in attendance</b>		
Keith Wignall	IMO	Minutes
Peter Hawken	OoE	Item 10
Veronica Mayne	Synovate	Item 11
<b>Apologies</b>		
Chris Brown	ERA	Member
Ken Brown	System Management	Member
Anne Hill	OoE	Member

Item	Subject	Action
1.	<b>WELCOME</b>  The Chair opened the meeting at 2:10pm and welcomed members to the 25 <sup>th</sup> meeting of the Market Advisory Committee (MAC).	
2.	<b>MEETING APOLOGIES / ATTENDANCE</b>	

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Item	Subject	Action
4.	<p><b>ACTIONS ARISING</b></p> <p>The actions arising were either complete or on the meeting agenda. The following exceptions were noted:</p> <ul style="list-style-type: none"> <li>• Item 96 (potential PSOP to supplement the tolerances for compliance reporting rule change proposal): System Management reported that it is discussing the issue with affected parties, and will bring a proposal to the next MAC meeting.</li> <li>• Items 107 -111 (amendments to approval process for equipment tests pre rule change proposal): System Management reported that it is working on these items.</li> <li>• Item 116 (provision of Western Power’s legal advice on the definition of the SWIS): The Chair stated that this issue may have been overtaken by events, the OoE will update MAC on this matter later in the meeting.</li> <li>• Item 117 (OoE’s advice on the definition of the SWIS and the consequential treatment of Ravensthorpe): It was noted that this would be discussed as part of agenda item 10.</li> </ul>	
5a.	<p><b>MARKET RULE CHANGE OVERVIEW</b></p> <p>The MAC noted the IMO’s overview of current rule changes.</p> <p>The IMO sought the views of the MAC members on its new RulesWatch email publication, which consolidates notices to Rule Participants into a weekly summary. The MAC agreed that this was an improvement over the numerous emails that stakeholders previously received.</p>	
5b.	<p><b>ENERGY PRICE LIMITS WASH-UP [RC_2009_35]</b></p> <p>The IMO explained that the change from “Risk Margin” to “Profit Margin” is not a conceptual change, but simply a more appropriate description for the margin that has been applied in the previous reviews.</p> <p>The IMO also explained that the rule change seeks to clarify the consultation process associated with the setting of the price limits.</p> <p>LGP queried the reason for using the 80<sup>th</sup> percentile in the Maximum STEM Price calculation, but the 90<sup>th</sup> percentile in the Alternative Maximum STEM Price calculation. LGP also queried whether the difference between “may” and “must” in the rules regarding requests for submissions is deliberate. The IMO replied that it would investigate and report.</p> <p><i>Action: The IMO to clarify aspects of PRC_2009_35 prior to</i></p>	<p><b>IMO</b></p>

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	<i>formally submitting this into the Rule Change Process.</i>	
5c.	<b>REMOVAL OF APPENDIX 8 [RC_2009_41]</b>  The MAC noted this rule change proposal.	
6a.	<b>MARKET PROCEDURE CHANGE OVERVIEW</b>  The MAC noted the overview of procedure changes.	
6b.	<p><b>DETERMINATION OF THE MRCP [PC_2009_12]</b></p> <p>The IMO Advised MAC that the legal advice sought by the IMO CEO had been received and made clear that the IMO should not have undertaken the Procedure Change Process in parallel with consulting on the draft MRCP report that was based on the changed procedure. Therefore any amendments to the Market Procedure should have been effective prior to the release of the draft MRCP report.</p> <p>It was noted that the IMO has since re-issued the draft MRCP report (using the current Market Procedure). The IMO has also extended the consultation period on the draft MRCP report from 18 December 2009 to 4 January 2010.</p> <p>The IMO noted that the Procedure Change Proposal will continue through the procedure change process. Any changes to this Market Procedure would not apply to the 2012/13 capacity cycle.</p> <p>The Chair agreed that the IMO would investigate extending the submission period for the Procedure Change Proposal to allow interested stakeholders more time to prepare submissions.</p> <p><i>Action: The IMO to investigate extending the submission period for the Procedure Change Proposal (PC_2009_12) to allow interested stakeholders more time to prepare submissions.</i></p> <p>It was noted that notwithstanding these changes, the IMO is committed to initiate a major review of the MRCP in the first quarter of 2010.</p> <p>The IMO clarified that, using the same sample of companies as used in 2007, the MRCP would rise to \$237,800.</p> <p>Alinta asked whether the value of Asset <math>\beta</math> had risen. Alinta also asked whether the change was due to the global financial crisis or to a change in the sample. Alinta asked for all Asset <math>\beta</math> numbers to be made available.</p> <p><i>Action: The IMO to recalculate the MRCP using the same method but an updated sample. The IMO to provide this information (and the Asset <math>\beta</math> numbers) to the MAC.</i></p>	<p><b>IMO</b></p> <p><b>IMO</b></p>

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	<p>Griffin queried whether it would be worth examining the reasons for the large rise in the MRCP – is it that the real costs of connecting facilities to the SWIS are now being recognised?</p> <p>Synergy queried whether the 85% scaling factor, which has a significant effect on the outcome, is under review.</p> <p><i>Action: The IMO to investigate the cause of the increase in the MRCP and whether the 85% scaling factor is still appropriate in its major review of the MRCP.</i></p>	<p><b>IMO</b></p> <p><b>IMO</b></p>
<b>7a.</b>	<p><b>WORKING GROUP OVERVIEW</b></p> <p>The MAC noted the Working Group Overview.</p>	
<b>7b.</b>	<p><b>RENEWABLE ENERGY GENERATION WORKING GROUP</b></p> <p>The IMO reported that the all work packages are now underway.</p>	
<b>8.</b>	<p><b>CONCEPT PAPERS OVERVIEW</b></p> <p>The MAC noted the overview of concept papers under development.</p>	
<b>9.</b>	<p><b>PRESENTATION: BALANCING REVIEW</b></p> <p>The IMO gave a presentation (attached as Appendix 1) on issues relating to balancing, and stated that the Oates Review implementation team and the IMO Board has been provided with the same presentation.</p> <p>Griffin asked whether a working group would be formed to look at issues associated with balancing. The IMO replied that Terms of Reference for the work programme are being drafted in consultation with the Oates implementation team, and that, when these are finalised, the MAC would be provided with them.</p> <p><i>Action: IMO to provide the MAC with the Terms of Reference for the Balancing work programme once developed.</i></p> <p>Griffin queried whether the Oates implementation team could be seen as impinging on the independence of the IMO. The Chair replied that the IMO Board will follow the MAC and Rule Change process.</p>	<b>IMO</b>
<b>10.</b>	<p><b>PRESENTATION: NETWORK CONTROL SERVICES</b></p> <p>The OoE gave a presentation (attached as Appendix 2) on Network Control Services (NCS), noting that and NCS is a</p>	

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	<p>generation or demand side alternative to constructing network infrastructure (either new or upgrades).</p> <p>It was noted that under the current legislative framework (Wholesale Electricity Market Rules and Electricity Networks Access Code) the IMO can contract NCS.</p> <p>The OoE stated their concern that the payment regime outlined in the Market Rules may lead to cross subsidisation (on the energy payments for NCS).</p> <p>The IMO clarified that a series of workshops (comprising OoE, ERA, Western Power, System Management and the IMO) has been studying this issue. External consultants have been engaged to examine legal implications of the NCS process. The IMO noted that the Consultants are working on rule changes to make the NCS contracting process work effectively if done by the IMO.</p> <p>OoE states that the reasons for IMO to contract for NCS may no longer be valid and that it could be more efficient and timely for Western Power to undertake this task.</p> <p>Western Power queried how it could measure if a NCS contract that it enters into was economically efficient, Western Power stated it has no experience of negotiating competitive contracts.</p> <p><i>Action: The IMO to arrange the Consultants to draft rule changes to make the NCS contracting process work effectively if done by Western Power (at Western Power's expense), in addition to the rule changes it is currently preparing.</i></p> <p>Perth Energy suggested that generators that are providing NCS cannot also provide Reserve Capacity. The IMO contended that a NCS Facility provides both capacity which can be used to support the system for capacity purposes and the transmission or distribution system for NCS purposes. It was noted that these could be at different times.</p> <p><i>Action: The OoE to prepare and issues paper on the NCS issue in early 2010.</i></p> <p>A MAC member asked the OoE to provide an update on the issue of whether Ravensthorpe is considered to be part of the SWIS after its electrical disconnection. The OoE replied that after seeking advice it has come to the view that Ravensthorpe is still part of the SWIS.</p> <p>The Chair requested that this advice be circulated to the IMO. Synergy, Perth Energy and Alinta made similar requests.</p> <p><i>Action: OoE to circulate its advice on Ravensthorpe to the IMO, Synergy, Perth Energy and Alinta.</i></p>	<p><b>IMO</b></p> <p><b>OoE</b></p> <p><b>OoE</b></p>

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11.	<p><b>PRESENTATION: IMO STAKEHOLDER SURVEY</b></p> <p>Synovate gave a presentation (attached as Appendix 3) on the results of its survey of stakeholder perceptions of the IMO.</p> <p>The IMO highlighted that its RulesWatch publication was in response to opinions expressed during this survey.</p>	
12a.	<p><b>ANNUAL REVIEW OF MAC COMPOSITION</b></p> <p>Clause 2.3.9 of the Market Rules requires the IMO to annually review the composition of the MAC. The IMO may remove and appoint members following the review.</p> <p>The review for the 2010 membership was originally due for completion by 15 December 2009. However, the MAC constitution and operating practices rule change<sup>1</sup> and MAC Constitution amendments are not complete until 7 December 2009.</p> <p>Therefore the IMO has undertaken an interim review and decided to roll over the current MAC membership past 15 December 2009. The IMO will then undertake a comprehensive review of the membership of the MAC under the new MAC Constitution and MAC Appointment Guidelines.</p> <p>The IMO will commence the new appointment process on 10 December 2009 with a call for nominations. The nominations process will conclude on the 19 February 2010 with all MAC nominees being notified of the new composition of the MAC. The current membership remains valid until March 2010.</p>	
12b.	<p><b>PROPOSED RULE CHANGE: CALCULATION OF NET STEM SHORTFALL</b></p> <p>Griffin outlined a problem with the formula for calculating the Net STEM Shortfall, saying that a Market Participant with more than one facility is currently overcharged Capacity Cost Refunds if one of its facilities experiences a Forced Outage while another has generating capacity that is not dispatched. Griffin signalled that it will submit a fast-track Rule Change Proposal to address this problem.</p> <p><i>Action: Griffin to submit a Rule Change Proposal on the calculation of Net STEM Shortfall.</i></p> <p>The IMO stated that the timeframe for submissions on this proposal will be extended to allow for the Christmas break, if this is allowed for under the Market Rules.</p> <p>Griffin agreed that the consultation with the industry on this Fast Track Rule Change should take account of the holiday period</p>	Griffin

<sup>1</sup> RC\_2009\_28: MAC Constitution and Operating Practices

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	<p>and be extended to ensure that all Market Participants have the opportunity to provide a submission.</p> <p><i>Action: The IMO to extend the consultation period for Griffin's forthcoming Rule Change Proposal on the calculation of Net STEM Shortfall.</i></p>	<b>IMO</b>
<b>12c.</b>	<p><b>OTHER GENERAL BUSINESS</b></p> <p>Perth Energy asked the Chair for an update on the suspension of WA Biomass from the Wholesale Electricity Market (WEM). The Chair replied that WA Biomass had failed to meet a request for prudential security, and that the IMO Board decided that sufficient risk existed to warrant suspension from the WEM.</p> <p>The Chair explained that no mechanism exists for cancelling Capacity Credits held by a suspended Participant. WA Biomass holds Capacity Credits for 2009/10 even though there is little likelihood that it will be able to meet the Market Rule obligations. The Chair stated that the IMO Board has requested a rule change is being prepared to allow for Capacity Credits to be cancelled in the event that the holder cannot meet the market obligations.</p>	
<b>13.</b>	<p><b>NEXT MEETING</b></p> <p>The next meeting is scheduled for 2.00pm - 4:00pm on 10 February 2010.</p>	
<p><b>CLOSED</b> The Chair declared the meeting closed at 4.45pm.</p>		