



Independent Market Operator

**Final Rule Change Report:
MAC Membership Review**

Ref: RC_2010_15

Date: 28 September 2010



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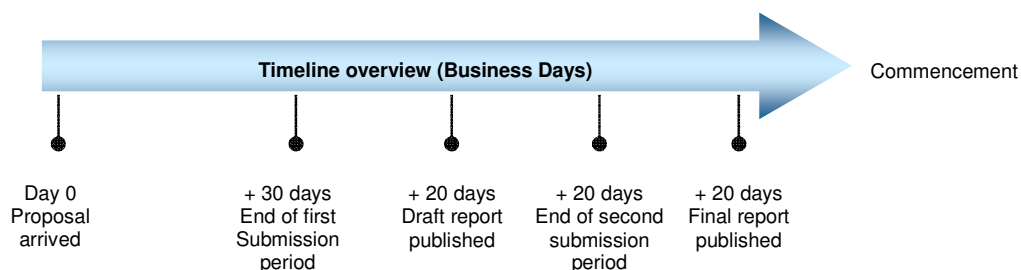
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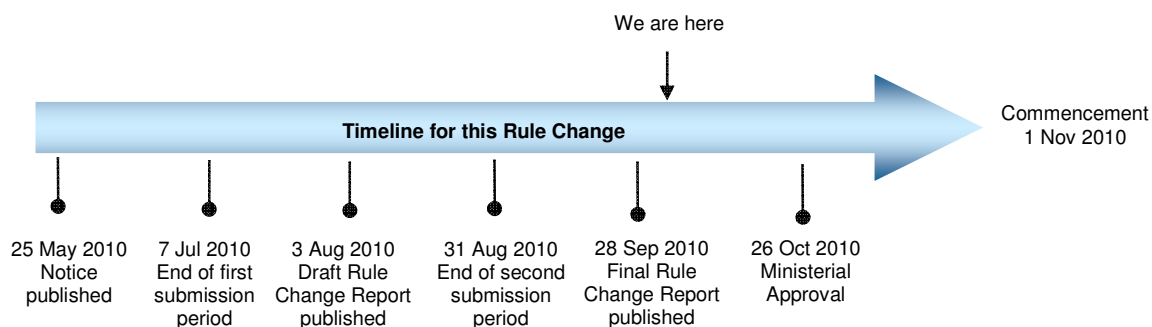
1. INTRODUCTION

On 18 May 2010 Perth Energy submitted a Rule Change Proposal regarding amendments to clause 2.3.5 of the Wholesale Electricity Market Rules (Market Rules).

The proposal was processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules. The standard process adheres to the following timelines:



The key dates in processing this Rule Change Proposal are:



The IMO's final decision is to accept the Rule Change Proposal in a modified form. The detailed reasons for the IMO's decision are set out in section 7 of this report.

In making its final decision on the Rule Change Proposal, the IMO has taken into account:

- the Wholesale Market Objectives;
- the practicality and cost of implementing the proposal;
- the views of the Market Advisory Committee (MAC); and
- the submissions received.

All documents related to this Rule Change Proposal can be found on the IMO website: http://www.imowa.com.au/RC_2010_15

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

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Organisation:	Perth Energy
Address:	77 Mill Point Road, South Perth WA 6151
Date submitted:	18 May 2010
Urgency:	3-High
Change Proposal title:	MAC Membership Review
Market Rule affected:	2.3.5

2.2 Summary Details of the Proposal

Perth Energy's Rule Change Proposal sought to amend the membership of the Market Advisory Committee¹ (MAC) to allow an extra two positions for Discretionary Class members. Perth Energy considered that the proposed changes will:

- broaden the catchment of private suppliers' representation;
- ensure greater equitability of representation;
- enrich debate at MAC level; and
- assist the IMO to better achieve the Wholesale Market Objectives.

Full details of Perth Energy's proposal are presented in Appendix 1 of this report.

2.3 The Proposal and the Wholesale Market Objectives

Perth Energy submitted that the proposed Amending Rules will better achieve Wholesale Market Objectives (a) and (b) by ensuring the economically efficient, safe and reliable production and supply of electricity related services in the South West interconnected system (SWIS) through pricing that is reflective of current costs.

2.4 The Amending Rules Proposed by the IMO

The amendments to the Market Rules originally proposed by the Perth Energy are available in the Rule Change Notice and presented in Appendix 2 of this report.

2.5 The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis of its preliminary assessment, which indicated that the proposal was consistent with the Wholesale Market Objectives.

3. FIRST SUBMISSION PERIOD

The first submission period for this Rule Change Proposal was between 26 May 2010 and 7 July 2010.

¹ Clause 2.3.5 of the Market Rules

3.1 Submissions received

The IMO received submissions from Landfill Gas & Power (LGP) and Synergy. The main points raised in the submissions are summarised below; additional detail along with the IMO's response is contained in Appendix 3 of this report. The full text of all submissions is available on the IMO website.

In summary, LGP supported the Rule Change Proposal but suggested a number of revisions to the Amending Rules. LGP also suggested that the IMO be provided with discretion as to whether to appoint additional Market Customer and Market Generator representatives. Synergy did not object to the proposal but noted concern about a precedence being established allowing an ever increasing MAC membership that could weaken the group's effective performance. Synergy noted that a Rule Participant without representation on the MAC can:

- request the Chair to attend as an observer (which entails no restriction on them contributing to the discussion);
- view reports, minutes and comments resulting from the MAC on the IMO's website. In particular, all meeting papers are made available to the market via the IMO's website at the same time as they are sent to the MAC. Any contentious or potentially complex topics have in the past resulted in the IMO arranging public workshops, which are open to all Market Participant; and/or
- nominate to serve on Working Groups constituted by the MAC. Recommendations are made to the MAC by these Working Groups on a regular basis and are pivotal in influencing MAC decision making.

LGP considered that by the encouragement of investment via the perception of more effective participation of new investors the proposal would support Wholesale Market Objectives (a), (b), (d) and (e). Synergy did not consider that increased MAC membership will better facilitate the achievement of the Wholesale Market Objectives.

3.2 The IMO's response to submissions received during the first submission period

The IMO's response to submissions received during the first submission period is presented in Appendix 2 of this report

3.3 Public Forums and Workshops

No public forums or workshops were held in relation to this Rule Change Proposal.

3.4 Additional Amendments to the Amending Rules

Following the first public submission period, the IMO has made some additional changes to the proposed Amending Rules. A summary of the additional amendments are contained in Appendix 4 of this report.

3.5 The IMO's response to Perth Energy's Rule Change Proposal

In the Draft Rule Change Report the IMO noted that an increase in the membership of the MAC should be on the basis that:

- The existing number of representatives does not adequately represent the Market Participants they are intended to; or
- The existing representation does not cover a category of Market Participants.

The IMO requested the views of interested parties be provided during the second consultation period on these two points.

4. THE IMO'S DRAFT ASSESSMENT

The IMO's draft assessment, against clauses 2.3.5 of the Market Rules, and analysis of the Rule Change Proposal can be viewed in the Draft Rule Change Report (available on the IMO's website).

5. THE IMO'S DRAFT DECISION

The IMO's draft decision was to accept the amendment of clause 2.3.5 as proposed in the Rule Change Proposal and amended following the first submission period. However, in making its draft decision, the IMO requested views during the second submission period on:

- whether the current composition of the MAC adequately represents the Market Participants they are intended to; and
- whether the existing representation does not cover a specific category of Market Participants.

The IMO noted that this additional information would be taken into account by the IMO in forming its final decision.

The IMO made its decision on the basis that the Amending Rules:

- are consistent with the Wholesale Market Objectives; and
- have the general support of submissions received during the first submission period.

Additional detail outlining the analysis behind the IMO's reasons was presented in the Draft Rule Change Report.

6. SECOND SUBMISSION PERIOD

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 4 August 2010 and 31 August 2010.

6.1 Submissions received

During the second submission period the IMO received submissions from DMTenergy, LGP and Synergy. The full submissions are available on the IMO website.

In summary, LGP and DMTenergy both support the proposed Amending Rules, as presented in the Draft Rule Change Report. In particular, DMTenergy considers that creating the potential for additional Market Customer and Market Generator representatives on the MAC would assist those participants that operate within these classes but which many would recognise as a separate category of participant. Synergy notes that it does not object to RC_2010_15 and the amendments proposed by the IMO in the Draft Rule Change Report.

Specific comments on representation of Market Participants by current MAC composition:

Synergy considers that:

- the current size of the MAC is workable for ensuring the resolution of matters referred to it; and
- the existing number of representatives adequately represents the Market Participants as intended.

Specific comments on existing representation of specific categories of Market Participants

Both LGP and DMTenergy do not consider that the current representation of the MAC adequately represents DSM aggregators. Synergy considers that the current representation of the MAC sufficiently covers the categories of Rule Participants. In particular, Synergy notes that a number of energy aggregators are registered as Market Customers but are not regulated entities. Synergy considers that any Market Customer representative on the MAC should represent a retail entity performing the full range of retail activities.

Wholesale Market Objectives

DMTenergy considers the Amending Rules would encourage investment by enabling more effective participation of new investors in traditional market activities, as well as growing investment in new types and categories of market operations. DMTenergy also considers the proposed amendments would assist in removing any real or perceived discrimination in relation to particular energy options or technologies utilised by current or prospective participants. DMTenergy considers the proposed amendments would support all of the market objectives.

Synergy does not consider that increased MAC membership will better facilitate the achievement of the Market Objectives. In particular, Synergy notes that where issues relevant to a particular sub category of the market are considered, current protocol allows interested parties to request attendance at MAC meeting to present their views. Synergy would prefer that these arrangements continue rather than the MAC being expanded on a permanent basis.

6.2 The IMO's response to submissions received during the second submission period

During the second submission period a number of points were raised regarding the proposed amendments to the Market Rules.

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Clause/Issue	Submitter	Comment/Change Requested	IMO's response
2.3.5	Synergy	Propose a further amendment to formalise the requirement for the IMO to ensure that the number of Market Generator representatives remains equal to the number of Market Customer representatives.	<p>The IMO agrees and has updated the proposed Amending Rules accordingly. Refer to section 6.3 and Appendix 5 of this report for further details.</p> <p>The requirement for equal representation for Market Generators and Market Customers will also be clarified in the MAC Appointment Guidelines.</p>
Existing representation of specific categories of Market Participants	Synergy	The current size of the MAC is workable for ensuring the resolution of matters referred to it and considers that the existing number of members adequately represents the Market Participants as intended.	<p>The IMO notes Synergy's comments that the current size of the MAC is workable. However, the IMO does not consider that an additional two members will impact on the ability of the committee to resolve matters referred to it. The IMO also notes that no argument nor evidence has been provided during either round of submissions that the appointment of two additional members would compromise the effectiveness of the group.</p> <p>With regards to Synergy's view that the existing membership is adequately representative Market Participants, the IMO notes the views expressed by both LGP and DMTenergy on the need for DSM aggregators to be specifically represented. On this matter the further work currently being undertaken to address the issues identified with Curtailable Loads in the WEM will consider whether a separate DSM representative should be appointed to the MAC. In making such a decision, the likely impacts on the operation and efficiency of the group will also be considered by the IMO.</p>
Existing representation of specific categories of Market Participants	LGP	DSM is not sufficiently represented on MAC by virtue of it being an innovative and leading-edge field of operation	Refer to the above response.
Existing representation of specific categories of Market Participants	LGP	The IMO must ensure that DSM properly contributes to system security. Perceives that a substantial review of the Market Rules is required to ensure this.	Refer to the above response.
Existing representation of specific categories of Market Participants	DMTenergy	Creating the potential for additional Market Generator and Market Customer representatives on the MAC would assist those participants that	To the extent that a separate category of Market Participant is not adequately represented by either the Market Generator or Market Customer representatives then the IMO would consider whether a separate class of

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Clause/Issue	Submitter	Comment/Change Requested	IMO's response
		operate within these classes but which many would recognise as a separate category of participant.	representative should be included on the MAC (as will be the case around DSM aggregators). A Market Customer representative must represent the wider views of all Market Customers in the WEM and not simply of DSM aggregators or a sole retailer. For example the IMO would not appoint another Market Customer representative to purely represent DSM aggregators as it would potentially distort the balance of representation on the MAC (as another Market Generator representative would also need to be appointed to ensure that the representation on the MAC remains balanced in accordance with proposed new clause 2.3.5A).
Existing representation of specific categories of Market Participants	DMTenergy	DSM aggregators operate not as Retailers, Generators, individual Contestable or small-use Customers, Networks Operators or Ancillary Providers; although they may often represent or conduct activities that are in common with these other recognise Rule Participant or MAC membership classes.	The IMO notes the unique position of DSM aggregators in the WEM. This will be considered as part of the wider review of Curtailable Loads currently being undertaken by the IMO.
Existing representation of specific categories of Market Participants	DMTenergy	While DMTenergy considers there is a strong case for a new class of WEM participant, that of DSM aggregators/program operators, who may also be afforded an industry representative on the MAC, it acknowledges the concerns raised regarding the establishment of precedents and the potential to proliferate new Rule Participant classes with its associated pressure to expand MAC membership accordingly.	The IMO notes DMTenergy's acknowledgement of the issues associated with setting any precedents around the ability to continuously expand MAC membership and reiterates that any future decisions to amend the composition of the MAC will also need to consider the likely impacts on the operation and efficiency of the group.
Existing representation of specific categories of Market Participants	DMTenergy	The proposed amendments enable the IMO to increase MAC membership in recognition that existing representation does not cover the category of DSM aggregator, as well as potentially other categories of participant that may exist or eventuate within the WEM and who does not neatly fall within the existing participant	Refer to above response.

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Clause/Issue	Submitter	Comment/Change Requested	IMO's response
		classes.	
Existing representation of specific categories of Market Participants	DMTenergy	By enabling the flexibility to fully represent all types of Market Participants on the MAC, the Amending Rules also help avoid the potential for any inefficient institutionalisation of new or emerging Market Participant categories that may not, over time, provide to have been justified.	Refer to above response.
Existing representation of specific categories of Market Participants	Synergy	Only a Market Generator or a Market Customer carrying out the full functions of a generator or retailer should perform a Market Generator or Market Customer function on the MAC.	There are no restrictions currently imposed on a Market Customer or Market Generator representative to carry out full functions of either of these classes. A Market Customer and Market Generator representative must however be representative of their class (and not just certain aspects of it). To the extent that subcategories of these classes such as DSM aggregators are not adequately represented by the broader class (Market Customer representative) the IMO would consider introducing a new category of MAC representative.
Existing representation of specific categories of Market Participants	Synergy	Energy aggregators are not regulated entities and Synergy considers that any Market Customer delegate on the MAC should represent a regulated retail entity performing the full range of retail activities.	As agreed at the 16 June 2010 MAC meeting, the IMO will be requesting the Office of Energy and Economic Regulation Authority, on behalf of the MAC, to introduce licensing obligations for DSM Providers. This is currently awaiting the outcomes of the IMO's wider review of Curtailable Loads in the WEM.

6.3 **Additional amendments to the Amending Rules**

Following the closure of the second submission period, the IMO made some additional changes to the proposed Amending Rules. The additional amendments are contained in Appendix 5 of this report.

7. THE IMO'S FINAL ASSESSMENT

In preparing its Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.3.5 of the Market Rules.

Clause 2.4.2 outlines that the IMO “*must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives*”.

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- Any applicable policy direction from the Minister regarding the development of the market;
- The practicality and cost of implementing the proposal;
- The views expressed in submissions and by the MAC; and
- Any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister in respect of this Rule Change nor has it commissioned a technical review in respect of this Rule Change Proposal.

The IMO's assessment is outlined in the following sections.

7.1 **Market Objectives**

The IMO considers that the Market Rules as a whole, if amended, will be consistent with the Wholesale Market Objectives.

Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

7.2 **Practicality and cost of implementation**

The proposed changes do not require any change to the Wholesale Electricity Market Systems operated by the IMO or any of the systems operated by System Management. There have been no additional costs identified with the implementation of this Rule Change Proposal.

Following the implementation of the proposed Amending Rules, the IMO will:

- update the MAC Appointment Guidelines document;
- update the MAC Constitution; and
- undertake a further appointment process to appoint an additional Market Customer and Market Generator representative (as part of the normal annual review process).

Given these tasks are both within the day to day operation of the IMO and the IMO was due to run an appointment process for the Discretionary Members due to expire early in 2011, the IMO considers that there will be no additional personnel costs associated with the implementation of the proposed changes.

Practicality:

The IMO has not identified any issues with the practicality of implementing the proposed changes.

7.3 Views expressed in submissions

During the first submission period the IMO received two submissions. LGP supported the proposal but suggested a number of amendments, including that the IMO be provided with discretion as to whether additional members are appointed. Synergy did not object to the proposal but noted concern about a precedent being established allowing an ever increasing MAC membership.

During the second submission period the IMO received submissions from both LGP and DMTenergy who supported the proposed Amending Rules, as presented in the Draft Rule Change Report. The IMO also received a submission from Synergy noting that it does not object to the proposal and the further amendments proposed by the IMO in the Draft Rule Change Report.

In its submission Synergy noted that the current size and composition of the MAC is adequately representative of the market. LGP and DMTenergy however noted the potential need for specific representation of DSM aggregators on the MAC. However Synergy expressed a number of concerns around allowing DSM aggregators, which are non-regulated entities, to serve as a Market Customer representative on the MAC. The IMO's response to these submissions is contained in section 6.2 of this report.

7.4 Views expressed by the Market Advisory Committee

The MAC met to discuss the Rule Change Proposal at the 16 June 2010 meeting. During the meeting the following points were discussed/noted:

- Some members asked 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 depended 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 had 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.
- 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.

The importance of open access to what occurs at MAC meetings was noted. The Chair noted that to help ensure this the IMO:

- 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.

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 eight 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.

During the meeting the MAC was also requested to note that the IMO would present a paper on the options for the selection of Discretionary Members later in 2010. This followed the paper presented at the 12 May 2010 MAC meeting which outlined the questions which had been raised around:

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

8. THE IMO'S FINAL DECISION

Based on the matters set out in this report, the IMO's final decision, in accordance with clause 2.7.8 (e), is to accept the Rule Change Proposal as modified by the amendments outlined in section 6.3 and Appendix 5 of this report.

8.1 Reasons for the Decision

The IMO has made its decision on the basis that the Amending Rules:

- are consistent with the Wholesale Market Objectives; and
- have the general support of the submissions received in the first and second submission periods.

Additional detail outlining the analysis behind the IMO's decision is outlined in section 7 of this Final Rule Change Report.

9. AMENDING RULES

9.1 Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8.00am** on **1 November 2010**.

9.2 Amending Rules

The IMO's final decision is to amend the Market Rules. The following clauses are amended (~~deleted wording~~, new wording):

2.3.5. Subject to clause 2.3.13, the Market Advisory Committee must comprise:

- (a) at least three and not more than four members representing Market Generators, of whom one must represent the Electricity Generation Corporation;
- (b) one member representing Contestable Customers;
- (c) at least one and not more than two members representing Network Operators, of whom one must represent the Electricity Networks Corporation;
- (d) at least three and not more than four members representing Market Customers, of whom one must represent the Electricity Retail Corporation;
- (e) one member nominated by the Minister to represent small-use consumers;
- (f) one member representing System Management;
- (g) one member representing the IMO; and
- (h) a chairperson, who must be a representative of the IMO.

2.3.5A. Subject to clause 2.3.13, when appointing or removing members of the Market Advisory Committee, the IMO must use its reasonable endeavours to ensure equal representation of Market Generators and Market Customers.

2.3.13. Where a position on the Market Advisory Committee is vacant at any time, the IMO must ~~make use its~~ use its reasonable endeavours to appoint a person to fill the position, but the Market Advisory Committee may continue to perform its functions under this clause 2.3 despite any vacancy.

APPENDIX 1: FULL DETAILS OF THE PROPOSAL

Background

Perth Energy noted that clause 2.3.5 of the Market Rules sets the Market Advisory Committee (MAC)'s membership at a maximum 12 in total, with 7 places reserved for incumbent State owned entities, these being Verve Energy, Synergy, System Management, Western Power (x2) and the IMO (x2). There are only 6 places for other Market Participants, two of which must be reserved for representatives of large user and small user groups. This leaves just 4 places for private sector generators, wholesalers and retailers combined.

Perth Energy considered that an allowance of 4 places may have seemed reasonable in 2004, when the Market Rules were written in the context of a closed market, and even 2006-07, when the Wholesale Electricity Market (WEM) began. But in today's South West interconnected system (SWIS), Perth Energy considered that the limitation on and distribution of MAC membership have become inadequate, given the growth and complexity of the WEM in which the private sector holds almost \$2 billion in generation assets and trades approximately \$450 million per year through the STEM, Balancing and other segments of the market settled by the IMO including Reserve Capacity Trades, Ancillary Services etc. and retails a similar amount to contestable customers annually.

With the growth in private sector investment in the SWIS, Perth Energy considered that there is increasing investor concern over barriers to direct participation of private suppliers in the direction and implementation of Market Rule changes. This concern applies to investment in not just generation but also retail and wholesale trading operations in the SWIS, causing the holding off of capital injection into these operations to supply the growing contestable market and improve on the efficiency of that supply. Perth Energy noted that this has direct and negative electricity price and supply quality implications for all consumers in the SWIS.

To continue encouraging private sector participation, Perth Energy considered that clause 2.3.5 of the Market Rules needs to be changed to provide for fairer and wider representation. With Verve Energy and Synergy, the State owned generator and retailer respectively, having compulsory (permanent) class membership; Perth Energy considered that the MAC membership cap should exclude Verve Energy and Synergy. Perth Energy therefore considered that total membership should be expanded by at least 2 Discretionary Class members. Perth Energy noted that this will broaden the catchment of private suppliers' representation and make it more equitable, enrich debate at MAC level and assist the IMO to better achieve the objectives of the market stated above.

APPENDIX 2: PROPOSED AMENDING RULES IN THE RULE CHANGE PROPOSAL

Perth Energy proposed the following amendments to the Market Rules (~~deleted text~~, added text):

- 2.3.5. Subject to clause 2.3.13, the Market Advisory Committee must comprise:
- (a) ~~three~~ four members representing Market Generators, of whom one must represent the Electricity Generation Corporation;
 - (b) one member representing Contestable Customers;
 - (c) at least one and not more than two members representing Network Operators, of whom one must represent the Electricity Networks Corporation;
 - (d) ~~three~~ four members representing Market Customers, of whom one must represent the Electricity Retail Corporation;
 - (e) one member nominated by the Minister to represent small-use consumers;
 - (f) one member representing System Management;
 - (g) one member representing the IMO; and
 - (h) a chairperson, who must be a representative of the IMO.

APPENDIX 3: THE IMO'S RESPONSE TO SUBMISSIONS RECEIVED DURING THE FIRST SUBMISSION PERIOD

Clause/Issue	Submitter	Comment/Change Requested	IMO's response
2.3.5	LGP	Considers that DSM providers may soon be as significant as wind generation and so should be eligible for participation on the MAC	Currently a DSM aggregator may apply to serve on the MAC as a Market Customer representative. The Maximum Reserve Capacity Price Working Group recently determined to appoint a DSM Aggregator representative. This was on the basis that a DSM Aggregators involvement would add value to the outcomes of the Working Group.
2.3.5 (a)	LGP	Should refer to "Market Generators" rather than "generators".	Perth Energy's proposed Amending Rules were based on an out of date version of the Market Rules. The IMO had amended this reference as part of the commencement of the Rule Change Proposal: Market Advisory Committee Constitution and Operating Practices (RC_2009_28). Perth Energy's proposed drafting was corrected in the IMO's Rule Change Notice for consistency with the reference to "Market Generator" and "Market Customer" as outlined in the current version of the Market Rules (1 July 2010).
2.3.5(d)	LGP	Should refer to "Market Customers" rather than "retailers".	Refer to the above comment.
2.3.5(a) and (d)	LGP	Would prefer the IMO has discretion to increase the number of representatives, but not an obligation to. Considers that the IMO's application process should ensure that all appointees meet an acceptable professional standard to ensure that the forum is not diluted, or even impeded by additional members. LGP therefore proposes the addition of words to the effect of "not more than" at the beginning of each of the sub-clauses. Alternatively LGP suggests that clauses could read "At least 3 and not more than 4"	<p>This suggestion has been incorporated into the Amending Rules.</p> <p>A level of discretion when deciding whether to appoint additional Market Generator and Market Customer representatives will ensure that the optimal size of the group can be taken into account when making appointment decisions. This will allow the IMO to be able to consider the likely impacts on the operation and efficiency of the group associated with an increased membership.</p> <p>Given the small size of the current market there is currently a potential risk associated with limitations on the availability of suitable members. This discretion will ensure that appointees who do not meet the IMO's appointment criteria and who the IMO considers will not actively contribute to the MAC are not appointed simply to meet the size requirement. This will guarantee the integrity of the committee is maintained.</p> <p>This discretion would be consistent with that provided under sub-clause 2.3.5(c) when determining the number of members representing Network</p>

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Clause/Issue	Submitter	Comment/Change Requested	IMO's response
			<p>Operators.</p> <p>The IMO notes that in making appointment decisions to the MAC it will ensure that the number of Market Generator representatives remains equal to the number of Market Customer representatives. The IMO will update the Appointment Guidelines document to reflect this criterion for appointments to either position.</p> <p>The IMO will be presenting options for the selection of Discretionary Members to the MAC for consideration later in 2010. This is as a result of a concerns raised by interested stakeholders.</p>
All	Synergy	Larger groups can be ineffective in achieving acceptable outcomes, particularly under constrained timeframes.	<p>While a larger group may be ineffective in achieving acceptable outcomes the IMO not consider an additional two members to the current MAC will impact on the efficiency of the committee. The IMO however considers that the adoption of a level of discretion to increase the representation of the Market Generator and Market Customer classes will ensure that future membership reviews and appointment processes can take into account any perceived impacts of a larger group.</p> <p>The IMO also notes Synergy's concerns around the precedent set by this proposed amendment to the size of the MAC. Any future decisions to amend the composition of the MAC will also need to consider the likely impacts on the operation and efficiency of the group.</p>

APPENDIX 4: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE FIRST SUBMISSION PERIOD

The IMO made some amendments to the Amending Rules following the first submission period. These changes are as follows (~~deleted text~~, added text):

- 2.3.5. Subject to clause 2.3.13, the Market Advisory Committee must comprise:
- (a) at least three and not more than four members representing Market Generators, of whom one must represent the Electricity Generation Corporation;
 - (b) one member representing Contestable Customers;
 - (c) at least one and not more than two members representing Network Operators, of whom one must represent the Electricity Networks Corporation;
 - (d) at least three and not more than four members representing Market Customers, of whom one must represent the Electricity Retail Corporation;
 - (e) one member nominated by the Minister to represent small-use consumers;
 - (f) one member representing System Management;
 - (g) one member representing the IMO; and
 - (h) a chairperson, who must be a representative of the IMO.

APPENDIX 5: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE SECOND SUBMISSION PERIOD

The IMO made additional amendments to the Amending Rules following the second submission period, to clarify that when appointing and removing members the IMO must ensure that a balanced representation is maintained. For example, that one class of representation (Market Generator) is not under represented by virtue of having only three members, including the Electricity Generation Corporation, compared to four Market Customer representatives, including the Electricity Retail Corporation. The IMO has also incorporated a minor amendment to clause 2.3.13 to refer to the IMO using its reasonable endeavours. These changes are as follows (~~deleted text~~, added text):

2.3.5A. Subject to clause 2.3.13, when appointing or removing members of the Market Advisory Committee, the IMO must use its reasonable endeavours to ensure equal representation of Market Generators and Market Customers.

2.3.13. Where a position on the Market Advisory Committee is vacant at any time, the IMO must ~~make use its~~ use its reasonable endeavours to appoint a person to fill the position, but the Market Advisory Committee may continue to perform its functions under this clause 2.3 despite any vacancy.