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## Rules Development Implementation Working Group (RDIWG)

### Meeting No. 4: Meeting Notes

**Location:** Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth

**Date:** Monday, 11 October 2010

**Time:** 9.00am – 2.00pm

- Previous meeting's minutes
- Actions Arising
- Presentations:
  - Balancing Provision Options
  - Capacity Cost Refunds
- Updates:
  - Balancing Pricing;
  - Impact of bringing forward the opening of the STEM and Resource Plan submission windows;
  - Accuracy of load forecasts;
  - Trading Day + 1 forecasts; and
  - Participant's Scheduling Day processes.
- Workshop wrap up and general business

## Independent Market Operator

### Rules Development Implementation Working Group

## Minutes

<b>Meeting No.</b>	3
<b>Location:</b>	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
<b>Date:</b>	Thursday 30 September 2010
<b>Time:</b>	Commencing at 9.00am to 2.20pm

<b>Attendees</b>	
Allan Dawson	IMO (Chair)
John Rhodes	Market Customer
Corey Dykstra	Market Customer
Steve Gould	Market Customer
Geoff Gaston	Market Customer (proxy for Patrick Peake)
Chin Koay	Market Generator (proxy for Andrew Everett)
Peter Ryan	Market Generator (proxy for Shane Cremin)
Andrew Sutherland	Market Generator
Phil Kelloway	System Management
Chris Brown	ERA
Jenny Laidlaw	Presenter/Minutes
Jim Truesdale	Presenter
Troy Forward	Observer
Douglas Birnie	Observer
Bobby Ditrac	Observer
Kieran Lee	Observer
Greg Thorpe	Observer
Stephen MacLean	Observer
Deb Rizzi	Observer
<b>Apologies</b>	
Patrick Peake	Market Customer
Andrew Everett	Market Generator
Shane Cremin	Market Generator

Item	Subject	Action
1.	<b>WELCOME AND APOLOGIES / ATTENDANCE</b> The Chair opened the 3rd meeting of the Rules Development Implementation Working Group (RDIWG) at 9.00am.	

Item	Subject	Action
	<p>Apologies were received from:</p> <ul style="list-style-type: none"> <li>• Patrick Peake – Market Customer</li> <li>• Andrew Everett – Market Customer</li> <li>• Shane Cremin – Market Customer.</li> </ul>	
2.	<p><b>INFORMATION REQUIREMENTS AND INTERACTION</b></p> <p>In response to a suggestion from the Economic Regulation Authority (ERA), the RDIWG agreed for the IMO to provide brief minutes for each meeting of the RDIWG. The minutes would contain a summary of the issues discussed, agreements reached and action points raised during the meetings.</p> <p>The RDIWG reviewed an indicative proposed timing schedule prepared by the IMO for the Market Evolution Program. The schedule proposed timelines for the discovery, solution work and decision making phases for the main work streams within the scope of the program. The RDIWG agreed that work on Reserve Capacity Refunds should be brought forward to run in parallel with the other work streams, to help ensure that a solution is in place in time for the 2011/12 summer, and that focus should be placed on getting as much traction on other issues e.g. around balancing, as soon as possible.</p> <p><i>Action Point: The IMO to update the proposed timing plan for the Market Evolution Program, to bring work on Reserve Capacity Refunds forward to run in parallel with the other work streams.</i></p>	IMO
3	<p><b>REALIGNMENT OF SCHEDULING DAY TIMELINES</b></p> <p>The RDIWG reviewed a summary of the work undertaken to date on the realignment of timelines for the Scheduling Day. The RDIWG agreed that the aims of the realignment are:</p> <ul style="list-style-type: none"> <li>• to allow the use of the 12.15pm Bureau of Meteorology (BOM) forecast instead of the currently used 7.00am forecast; and</li> <li>• to shift the closure of the STEM Submission window to after Market Participants have been advised of their daily gas imbalances.</li> </ul> <p>The RDIWG discussed the potential benefits and costs of the proposed realignment. Synergy presented an analysis comparing the accuracy of the 7.00am and 12.15pm BOM forecasts against actual Trading Day temperatures. A copy of this analysis is available of the IMO website. While the analysis showed that the later forecast was clearly more accurate, there was some discussion as to whether this would translate into a significant improvement in load forecasts.</p> <p><i>Action Point: The IMO to undertake analysis to assess the extent to which load forecasts are improved by using the 12.15 pm BOM forecast instead of the 7.00 am BOM forecast.</i></p> <p>The RDIWG reviewed an updated version of the proposed Scheduling Day timelines, adjusted to reflect the availability of the later BOM forecast at 12.15pm instead of 1.00pm. The following points were agreed/discussed.</p> <ul style="list-style-type: none"> <li>• Two members reported on their discussions with the BOM to</li> </ul>	IMO

Item	Subject	Action
	<p>date, suggesting that while it may be possible to obtain an updated BOM forecast slightly earlier than 12.15pm a significantly earlier forecast is unlikely.</p> <ul style="list-style-type: none"> <li>• A suggestion by Verve Energy for the provision of “Trading Day + 1” load forecasts to assist it in its commitment planning was noted by the working group.</li> <li>• There was some discussion about the availability and timing of wind forecasts and the use of wind forecasts by some Market Participants and System Management. The RDIWG supported a suggestion that System Management provide a daily wind generation forecast along with its system load forecast for publication to participants.</li> <li>• There was general support for the idea of extending the duration of the STEM and Resource Plan Submission windows, and in particular for allowing the STEM Submission window to open before the closure of the Bilateral Submission window. The RDIWG agreed that the IMO should publish the results of the STEM auction and open the Resource Plan Submission window (if it is not already open) as soon as possible after the closure of the STEM Submission window.</li> <li>• There was some discussion about the various timelines for gas nominations. The RDIWG agreed that the nomination timelines for the Goldfields and Parmelia gas pipelines needed to be considered. Members were unable to provide details of their gas supplier nomination timelines as these details were subject to contract confidentiality requirements. The Chair proposed that the IMO liaise with the gas suppliers and pipeline operators to explore the range of timelines and the options to vary them.</li> <li>• The extent to which the duration of the various submission windows could be reduced was discussed. Members had varying opinions as to the minimum duration required for each submission window. Members who expressed a requirement for longer window durations noted that the durations needed to cover both calculation time and a safety margin to minimise IT related risks.</li> <li>• There was general in principle support for the provision of gross Bilateral Submissions by gentailers. The RDIWG agreed that if gross Bilateral Submissions were introduced then it would be beneficial if the IMO could automatically generate Resource Plans for Market Participants with a single Registered Facility.</li> <li>• There was some discussion about whether there would be benefit in Verve Energy providing Resource Plans to the IMO.</li> </ul> <p><i>Action Point: System Management to confirm the time that it receives its daily wind forecast.</i></p> <p><i>Action Point: The IMO to investigate with System Management whether wind generation forecasts could be provided to participants at the same time as load forecasts.</i></p> <p><i>Action Point: The IMO to assess the impact of bringing forward the opening of the STEM and Resource Plan submission windows.</i></p>	<p><b>System Mgmt</b></p> <p><b>IMO</b></p> <p><b>IMO</b></p>

Item	Subject	Action
	<p><i>Action Point: The IMO to discuss nomination timelines with the Goldfields and Parmelia gas pipeline operators and investigate options to vary these timelines.</i></p> <p><i>Action Point: The IMO to discuss nomination timelines with the major gas suppliers to gain an overview of the current arrangements and investigate options to vary the nomination timelines.</i></p> <p><i>Action Point: Working group members representing gentailers to consider the impact of providing gross bilateral submissions and provide their feedback to the IMO.</i></p> <p><i>Action Point: The IMO to investigate the impacts of gentailers providing gross bilateral submissions, including the possibility of automatically generating Resource Plans for Market Participants with a single Facility.</i></p> <p><i>Action Point: The IMO to consider whether Verve Energy should also be providing Resource Plans to the IMO.</i></p>	<p><b>IMO</b></p> <p><b>IMO</b></p> <p><b>Gentailer reps</b></p> <p><b>IMO</b></p> <p><b>IMO</b></p>
<p><b>4</b></p>	<p><b>PRESENTATION ON BALANCING PRICE FORMATION</b></p> <p>Mr Jim Truesdale provided a presentation covering the price formation principles that would apply in a contestable balancing market, the methodology applied in the Wholesale Electricity Market (WEM) and how prices vary under either approach. Flow on effects of DDAP/UDAP in respect of signalling actual system balancing impacts were also noted.</p> <p>In relation to formation of the balancing price, it was explained how inclusion in the MCAP price curve of IPP STEM offers that are not dispatched for balancing can cause MCAP to be higher or lower than the offer price of the balancing generator (the clean price where the Verve loss adjusted quantity intersects the Verve supply curve). It was also explained how inconsistencies between the calculation of the Relevant Quantity and quantities offered into the STEM can cause MCAP to be higher at times than the clean price. For example, some quantity not offered into or cleared in STEM, although relatively small, may be appearing in Resource Plans. The analysis suggested that for roughly half of the trading intervals analysed in the year ending 31 March 2010 there was no difference between the actual MCAP and the calculated clean price. Following discussion of these issues, and also the respective roles of DDAP/UDAP and the compliance regime in relation to Resource Plan adherence, the RDIWG:</p> <ul style="list-style-type: none"> <li>• asked if analysis could be undertaken to assess the extent to which MCAP and clean price differences were due to inclusion of IPP offers in the MCAP price curve versus potential inconsistencies between the calculation of the Relevant Quantity and quantities included in STEM offers;</li> <li>• agreed that inconsistency between quantities included in Relevant Quantity calculation and the MCAP price curve should be addressed;</li> <li>• agreed that, conditional upon achieving competition in the provision of the balancing services, the balancing price curve should only include balancing resources (i.e. clean pricing);</li> </ul>	

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	<p>and</p> <ul style="list-style-type: none"> <li>• agreed that DDAP/ UDAP should be removed, or set to lower levels, better reflecting impacts on balancing requirements.</li> </ul> <p><i>Action Point: The IMO to undertake further analysis to assess the extent to which MCAP and clean price differences are due to inclusion of IPP offers in the MCAP price curve versus potential inconsistencies between the calculation of the Relevant Quantity and quantities in STEM offers, and report back to the RDIWG with its findings.</i></p>	<b>IMO</b>
<b>5</b>	<p><b>GENERAL BUSINESS</b></p> <p>There was no general business raised.</p>	
<b>6</b>	<p><b>NEXT MEETING</b></p> <p>Meeting No. 4 will be held on Monday 11 October 2010 (9.00am-2.00pm).</p>	
<b>7</b>	<p><b>CLOSED:</b> The Chair declared the meeting closed at 2.20 pm.</p>	



## RDIWG Meeting 3: Action Points

**Legend:**

<b>Shaded</b>	Shaded action points are actions that have been completed since the last RDIWG meeting.
<b>Unshaded</b>	Unshaded action points are still being progressed.
<b>Missing</b>	Action items missing in sequence have been completed from previous meetings and subsequently removed from log.

#	Action	Responsibility	Meeting arising	Status/Progress
1	IMO to update the Terms of reference (as agreed) and publish on the website.	IMO	1	Complete.
2	IMO to prepare a continuum of options around introducing competition into the Balancing mechanism.	IMO	1	Presentation given at 7 September 2010 RDIWG meeting.
3	System Management to prepare a stylised day for the RDIWG to workshop overnight balancing options, unit commitment and de-commitment, timing and price etc.	SM	1	
4	The IMO to investigate whether a simple price curve could be used to support competitive Balancing.	IMO	1	Complete – presented at 30 September 2010 RDIWG meeting.
5	The IMO to document the initial proposed Scheduling Day timeline and durations (against the status quo) and items for consideration and distribute to Working Group members.	IMO	2	Complete

#	Action	Responsibility	Meeting arising	Status/Progress
6	Working Group members to review the proposed Scheduling Day timeline with their operational teams to identify opportunities to compress timeframes, and provide feedback to the IMO.	All	2	Complete
7	The IMO to collate and distribute feedback from Working Group members on Scheduling Day timeframe options (prior to meeting 3).	IMO	2	Complete
8	The IMO to investigate options for provision of BOM forecasts prior to 1:00 pm.	IMO	2	
9	The IMO to investigate options to vary gas nomination deadlines with the DBP operator.	IMO	2	
10	Synergy and System management to prepare some information on the difference between the 8am and 1pm forecasts.	SM/Synergy	2	Complete – presented at 30 September 2010 RDIWG meeting.
11	The IMO to discuss with System Management its requirements for actual wind speed data and progress a Rule Change Proposal to ensure the provision of this data (if appropriate).	IMO/SM	2	
12	The IMO to provide further explanation about MCAP formation and the impact of Verve Energy balancing up or down.	IMO	2	Complete – presented at 30 September 2010 RDIWG meeting.
13	The IMO to investigate whether there are any impediments to calculating a forecast MCAP (closer to real time).	IMO	2	
14	The IMO to distribute the presentations from Meeting No. 2 on Balancing Support and Delayed STEM options to Working Group members.	IMO	2	Complete.
15	The IMO to investigate the impact on efficient operational practices of the weightings applied to Reserve Capacity refunds and the issue of large refunds being incurred for small downwards deviations, and prepare a discussion paper for presentation to the Working Group.	IMO	2	
16	The IMO to update the proposed timing plan for the Market Evolution Program, to bring work on Reserve Capacity Refunds forward to run in parallel with the other work streams.	IMO	3	Complete – updated plan distributed to working group members.
17	The IMO to undertake analysis to assess the extent to which load forecasts are improved by using the 12.15 pm BOM forecast instead of the 7.00 am BOM forecast.	IMO	3	



#	Action	Responsibility	Meeting arising	Status/Progress
18	System Management to confirm the time that it receives its daily wind forecast.	System Mgmt	3	
19	The IMO to investigate with System Management whether wind generation forecasts could be provided to participants at the same time as load forecasts.	IMO	3	
20	The IMO to assess the impact of bringing forward the opening of the STEM and Resource Plan submission windows.	IMO	3	
21	The IMO to discuss nomination timelines with the Goldfields and Parmelia gas pipeline operators and investigate options to vary these timelines.	IMO	3	
22	The IMO to discuss nomination timelines with the major gas suppliers to gain an overview of the current arrangements and investigate options to vary the nomination timelines.	IMO	3	
23	Working group members representing gentailers to consider the impact of providing gross bilateral submissions and provide their feedback to the IMO.	Gentailer representatives	3	
24	The IMO to investigate the impacts of gentailers providing gross bilateral submissions, including the possibility of automatically generating Resource Plans for Market Participants with a single Facility.	IMO	3	
25	The IMO to undertake further analysis to assess the extent to which MCAP and clean price differences are due to inclusion of IPP offers in the MCAP price curve versus potential inconsistencies between the calculation of the Relevant Quantity and quantities in STEM offers, and report back to the RDIWG with its findings.	IMO	3	
26	The IMO to consider whether Verve Energy should also be providing Resource Plans to the IMO.	IMO	3	

Difference from forecast	Peak	Off Peak	Grand Total
>1%	84.38%	80.26%	82.67%
>2%	69.38%	62.29%	66.43%
>3%	55.04%	47.85%	52.04%
>4%	43.91%	37.25%	41.14%
>5%	34.51%	28.08%	31.83%
>10%	9.70%	4.82%	7.67%
>15%	1.31%	0.45%	0.95%
>20%	0.09%	0.00%	0.05%

Difference from forecast MWh	Peak	Off Peak	Grand Total
>10	85.65%	74.70%	81.08%
>20	71.62%	54.14%	64.34%
>30	58.39%	40.27%	50.84%
>40	47.66%	29.89%	40.26%
>50	38.88%	21.58%	31.67%
>100	15.68%	3.92%	10.78%
>150	5.89%	0.52%	3.65%
>200	1.32%	0.01%	0.78%

	Qty	Intervals	Ave Qty (MWh)	% Intervals
Peak - Actual Peak Under Forecast	- 445,923	7,283	-61.2	71.26%
Peak - Actual Peak Over Forecast	146,633	2,937	49.9	28.74%
Off Peak - Actual Peak Under Forecast	- 182,537	4,818	-37.9	66.00%
Off Peak - Actual Peak Over Forecast	50,394	2,482	20.3	34.00%
Total - Actual Peak Under Forecast	- 628,460	12,101	-51.9	69.07%
Total - Peak Over Forecast	146,633	5,419	27.1	30.93%