

Independent Market Operator

MRCPWG

Agenda

Meeting No.	1
Location:	IMO Board Room, Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Monday 31 May 2010
Time:	Commencing at 2.00 to 4.00pm

Item	Subject	Responsible	Time
1.	WELCOME AND APOLOGIES / ATTENDANCE	Chair	5 min
2	MRCP SCOPING QUESTIONS	IMO	50 min
3	MRCPWG WORK PROGRAMME	IMO	50 min
4	GENERAL BUSINESS	IMO	5 min
5	NEXT MEETING Tuesday 22 June 2010 (1:00-3:00pm)	Chair	5 min

Agenda Item 2: Maximum Reserve Capacity Price Scoping Questions

1 MRCP HIGH LEVEL

- Is there a need to define the MRCP Objectives in the Market Procedure?
- What is the best way to give a price signal to achieve the MRCP objectives?
 - Fixed price providing price certainty versus volatile/cost reflective price to ensure accuracy?
 - Are the current adjustment mechanisms appropriate?

2 MRCP DETERMINATION

- Are the MRCP assumptions still correct and appropriate?
 - Auction versus Bilateral trade.
 - Type, design and components.
- What is the appropriate level of IMO discretion?
- Is one submission period sufficient?

3. COST COMPONENTS

- Are the components of each section correct and/or explicit enough?
- Weighted Average Cost of Capital (WACC)
 - Is the current WACC equation appropriate?
 - Should the calculation of WACC parameters be prescribed?
 - Should the IMO/ERA calculate the WACC?
- What is the most appropriate calculation method for the network connection cost?

Should a level of forced outage refunds be built into the MRCP calculation as a component of the operation and maintenance costs?
- Should fixed gas pipeline transmission costs be included in the calculation of MRCP?

Agenda Item 3: MRCPWG: Work Programme

Background

Each year the Independent Market Operator (IMO) is required to conduct a review of the Maximum Reserve Capacity Price (MRCP). The MRCP:

- sets the cap for the Reserve Capacity Auction, in the event that one is held; and
- is used as the basis for the administered price for uncontracted Capacity Credits in the event that a Reserve Capacity Auction is cancelled.

The Market Procedure for the determination of the MRCP¹ (Market Procedure) sets out the principles to be applied and steps to be in undertaking this annual process.

The IMO is required to review the Market Procedure at least once in every five year period (clause 4.16.9). In particular, the basis of determining the MRCP shall be reviewed with reference to a number of factors including power station characteristics, transmission connection characteristics and fixed fuel costs, among other things.

To assist in undertaking this five year review, the Market Advisory Committee (MAC) has agreed that the MRCPWG be established to consider, assess and develop any necessary changes to the Market Procedure.

Working Group Deliverables

The MRCPWG is required to:

- Consider the issues identified in the IMO's Issues Register relating to the functioning of the MRCP. Identify other critical matters and prioritise the comprehensive register of issues from an impact perspective on the ability of the Wholesale Electricity Market (WEM) to deliver against the Market Objectives;
- Develop an initial Work Plan for submission to the MAC of issues and an approach to give such issues due consideration; and
- Assess critical/high priority issues and identify possible solutions. Develop an integrated suite of solutions, including drafted Procedure Change Proposals to be presented to the MAC by way of presentation/s and supporting discussion paper/s.

The MRCPWG is also required to undertake a full impact assessment prior to any recommendations being put forward to the MAC, including:

¹http://www.imowa.com.au/f711.231575/Market_Procedure_for_Maximum_Reserve_Capacity_Price.pdf



- Consideration of the implications of any changes to the MRCP on improving the delivery of the Market Objectives;
- Detailed feedback as to the implications to the operation of the existing WEM processes and physical outcomes; and
- Consideration of the financial costs and benefits of implementation².

Any matters which are identified that fall outside the scope of the Working Group's terms of reference must be referred back to the MAC for consideration.

Details of the MRCP Scoping Questions are available on the IMO web page: <http://www.imowa.com.au/MRCPWG>

MRCPWG Work Programme

The first MRCPWG meeting is scheduled for Monday 31 May 2010 (2:00-4:00pm) in the IMO Board Room. Appendix 1 provides a brief outline of the upcoming project milestones and deliverables.

² The IMO anticipates that this assessment would be presented in the Pre-Procedure Change Proposal Discussion Paper