

Independent Market Operator
Energy Price Limits Working Group

Minutes – 19th December 2007

Meeting No.	1
Location:	IMO Boardroom Level 22, The Forrest Centre, 221 St Georges Terrace, Perth
Date:	Wednesday 19 th December 2007
Time:	Commencing at 2.00pm to 4.00pm (WDST)

Members		
Dora Guzeleva	IMO (Chair)	
Kristian Myhre	Alinta Ltd.	Arrived at 2:35pm
Shane Cremin	Griffin Energy	
Mark Lewis	Transalta	Proxy for Andrew Sutherland
Andrew Everett	Verve Energy	
Robert Pullella	ERA	Arrived at 2:50pm
Andrew Bartlett	Synergy	Proxy for Tony Perrin
Chin Koay	IMO	
Harry Street	IMO	

Apologies		
Steve Gould	Landfill Gas & Power	
Gregg Buskey	NewGen	

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the meeting and welcomed members.</p> <p>Apologies were received from Steve Gould and Gregg Buskey.</p>	Chair
2.	<p>TERMS OF REFERENCE</p> <p>Heat Rate</p> <p>The working group agreed that the use of the average of the heat rates at minimum capacity and maximum capacity as set out in the Market Rules is arbitrary. The option of using the actual average heat rate for the reference generating units in the preceding year was considered. The working group however preferred the use of the heat rate at the relevant minimum capacity. This option would ensure that the resultant price ceiling would cover the marginal generator for all loadings.</p> <p>Capacity</p> <p>In setting the energy price limits the Market Rules specify the use of a 40 MW open cycle gas turbine. The working group discussed the applicability of this standard to the current SWIS fleet of open cycle gas turbines ranging in size from 20 MW to in excess of 160 MW. It was discussed that 20 MW units, when they are run, are run to support the network system rather than to meet system load. It was also considered inappropriate to use price ceilings applicable to 20 MW units for larger units in the SWIS. The working group considered that a more appropriate approach to compensating units running to meet the network requirements would be through Ancillary Services. It was, therefore, agreed to leave the 40 MW open cycle gas turbine reference in the Market Rules unchanged.</p> <p>Startup Cost</p> <p>In the initial determination of the Maximum STEM Price and Alternative Maximum STEM Price in 2004, the startup cost was included in the Variable O&M costs. MMA adopted a more detailed approach in its review. The working group discussed that the Market Rules could be left as it is i.e. silent on any specific treatment of the startup cost. This would leave the expert assisting in the review to determine the appropriate approach. The alternative was to prescribe the treatment of startup costs. This could, however, lead to excluding other cost items. Appropriate wording will therefore be required to avoid excluding other cost items. The IMO is to propose some wording to provide this flexibility.</p>	

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Maximum Shutdown Price

Clause 6.20.8 prescribes a methodology for reviewing the Maximum Shutdown Price. The working group noted the expert advice that the opportunity cost of a shutdown instructed by System Management could be fully recovered through the pay-as-bid prices under the provisions of the Market Rules. The small cost of shutting down a unit would also be covered by the startup cost. The working group accepted that the clauses relating to Maximum Shutdown Cost could be deleted from the Market Rules.

Commitment Cost Compensation

It was noted that the commitment cost for scheduled generators not registered to the Electricity Generation Corporation should be covered by the inclusion of the start up costs in the limits. It was agreed, however, that the working group would have to discuss this further with System Management at the next Working Group meeting to ensure that plants would not be committed for unreasonably short periods.

Frequency of Energy Price Limits Review

The current lack of readily available market information on gas prices suggests that the current frequency for review of the Maximum STEM Price is appropriate at this stage. However, in the case of circumstances of very high gas price volatility, a rule change will be needed so that participants will not be hindered if there are adverse upward or downward movements in gas prices.

3. CLOSE

The Chair declared the meeting closed at 3:50pm.

Chair
