

**Independent Market Operator**

**Rules Development Implementation Working Group**

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**Minutes**

<b>Meeting No.</b>	15
<b>Location:</b>	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
<b>Date:</b>	Tuesday 9 August 2011
<b>Time:</b>	9.30am to 12.30pm

<b>Attendees</b>	
Allan Dawson	IMO (Chair)
Douglas Birnie	IMO (by phone)
John Rhodes	Market Customer
Corey Dykstra	Market Customer
Steve Gould	Market Customer
Andrew Stevens	Market Generator
Andrew Sutherland	Market Generator
Chin Koay	Market Generator
Phil Kelloway	System Management
Cameron Parrotte	System Management
Wana Yang	ERA
Stefan Korn	Minutes
Greg Ruthven	Observer
Steve Black	Observer
Jenny Laidlaw	Observer
Simon Adams	Observer
Winston Cheng	Observer
Suzanne Frame	Observer
Ben Williams	Presenter
Matthew Pember	Presenter
<b>Apologies</b>	
Paul Hynch	Office of Energy
Geoff Gaston	Perth Energy
Andrew Everett	Verve Energy

<b>Item</b>	<b>Subject</b>	<b>Action</b>
	<b>WELCOME AND APOLOGIES / ATTENDANCE</b> The Chair opened the 15th meeting of the Rules Development	

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Item	Subject	Action
	Implementation Working Group (RDIWG) at 9.35am.	
1.	<p><b>PREVIOUS MEETING'S MINUTES</b></p> <p><i>Mr Parrotte requested a change on Page 5 of 56 to remove the line "removing the resource plan security check by SM" (RDIWG Papers)</i></p>	
2.	<p><b>Load Following Ancillary Services (LFAS) Detailed Design paper</b></p> <p>Mr Williams presented the Load Following Ancillary Services Detailed Design paper</p> <p>Discussion</p> <p>Mr Dykstra questioned the role of "min gen" and details of pricing of Load Following Ancillary Services (LFAS)</p> <p>Mr Williams clarified the mechanism described in the paper</p> <p>Mr Sutherland asked "how does LFAS work when a participant ramps down?"</p> <p>Mr Parrotte answered the question – outlining the difference between balancing and load following (for matching load)</p> <p>Mr Kelloway commented that triggers would need to be put in place in case of significantly higher / lower load than forecasted (based on a calculation of load movements)</p> <p>Mr Dykstra asked for clarification on payment for LFAS</p> <p>Ms Laidlaw clarified payments for LFAS in the new design</p> <p>Mr Sutherland asked Mr Williams to explain the mechanism for a number of scenarios</p> <p>Mr Williams explained the LFAS selection and provision based on the scenario outlined by Mr Sutherland</p> <p>Mr Kelloway asked for clarification on LFAS selection and provision</p> <p>Mr Williams answered Mr Kelloway's question</p> <p>Mr Sutherland noted that bidding behaviour for LFAS would need to be updated based on pricing information</p> <p>Mr Kelloway asked about ramping rate capability of plants – "is there a way that ramp rates could be included in submissions" (to ensure SM has sufficient options to guarantee LF)?</p> <p>Mr Williams responded that there are 2 ways to deal with this issue:</p> <p>a) ?</p> <p>b) backup LFAS is still available as well</p> <p>Mr Parrotte clarified the need for ramp rate limits during the LFAS selection (i.e. approval to provide LFAS by System Management)</p> <p>Mr Williams pointed out that key parameters need to be checked during approval and reiterated that backup LFAS is always available.</p> <p>Mr Koay asked about pre-qualification of LFAS and asked if ramp rate failed during dispatch would backup LFAS be available?</p> <p>Mr Williams: yes</p> <p>Mr Stevens asked "once you have won the LFAS auction you'd get</p>	

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	<p>the availability fee automatically – could this mean that a lot of availability fees would be paid for ‘slow ramping’ generators”?</p> <p>Mr Dawson pointed out that it is unlikely that System Management would allow slow ramping generators to provide LFAS. Generators would have to have a suitable ramp rate to be eligible for LFAS</p> <p>Mr Kelloway pointed out that SM recommended a min ramp rate of 1MW/min in the original proposal to MAC</p> <p>Mr Dawson questioned to what extent the ramp rates are applicable to MW quantities required for Load Following (LF).</p> <p>Mr Parrotte pointed out that the eligibility criteria for LFAS (paper currently being prepared by SM) need to be distributed for discussion</p> <p>Mr Stevens noted that LFAS is potentially quite expensive if ramp rates are not factored in dynamically</p> <p>Mr Dawson pointed out that the Market would respond to a high LFAS cost</p> <p>Mr Kelloway pointed out that the current design is still a work in progress and more work is required for eligibility criteria and factoring in ramp rates</p> <p>Mr Parrotte asked about Backup LFAS – “if Verve loses out it would adjust it’s PSC but does it need to update submissions to factor in lost LFAS”? “What is the impact on Verve’s submission”?</p> <p>Mr Williams answered the question by describing in detail the submission mechanism.</p> <p>Mr Dawson asked about the nature of backup payments and concluded that it is effectively like a “Constrained On payment for LFAS”.</p> <p>Mr Kelloway asked about details of the 6 hourly blocks of how LFAS is awarded</p> <p>Mr Williams clarified the mechanism. The participant providing LFAS would be expected to “switch on” at the required level (and same for participant no longer providing LFAS)</p> <p>Mr Koay pointed out that the actual switching on / off is something that SM will need to check and think through</p> <p>Mr Dykstra pointed out that it is the responsibility of the participant to ensure that they are able to be at the required MW position at the start of period when they are providing LFAS.</p> <p>Mr Kelloway pointed out that there could be a lot of plant movement (plants coming in to LFAS and going out of LFAS) – might be hard to monitor from a system operation perspective. Mr Kelloway also pointed out that the original paper to MAC by SM was to provide LFAS at several consecutive periods only</p> <p>Mr Kelloway / Mr Parrotte pointed out that doing LFAS on a period by period basis adds risk and complexity and cost</p> <p>Mr Dawson responded that LFAS is a high cost to the market and the suggested design is preferable to minimum LFAS number of periods. He noted that it is important to design the mechanism at the ultimate design (period per period) so it is future proof.</p> <p>Mr Parrotte pointed out that this issue could be addressed through special arrangements during the transition period</p>	

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	<p>Mr Sutherland asked for clarification of LFAS selection – “what would participants have available to make a decision on whether to bid/offer LFAS”?</p> <p>Mr Williams pointed out that price forecasts will be provided</p> <p>Mr Williams also clarified that SM do not have the ability to remove LFAS providers except for high risk states.</p> <p>Mr Parrotte and Dawson clarified the pricing implications of LFAS provision in parallel with Balancing</p> <p>Mr Dykstra asked about details of the backup enablement cost</p> <p>Mr Williams provided a detailed explanation</p> <p>Mr Dawson reiterated the need for backup LF and the impact on the Market in terms of pricing and the LFAS selection mechanism.</p> <p>Mr Dawson also noted that there is no penalty on IPPs for “falling off” LFAS provision</p> <p>Mr Stevens asked what stopped Verve from setting very high LFAS cost</p> <p>Mr Dawson answered “submissions must be based on Short Run Marginal Costs (SRMC) requirement in the Rules”. SM will be required to advise the market when it is dispatching Verve (quantities and associated cost will be transparent).</p> <p>Mr Williams confirmed that quantities and cost will be transparent in Settlement statements</p> <p>Ms Yang – asked about opening up LF for competition – what stops the Market from opening up other Ancillary Services (e.g. Spinning Reserve)</p> <p>Mr Dawson pointed out that this question is excellent and will become particularly relevant once the LFAS Market is operational and functional</p> <p>Mr Dawson asked why LF was picked as the first Ancillary Service to be opened up to competition</p> <p>Mr Kelloway pointed out that LF was picked because of increasing demand and because it is linked to Balancing</p> <p>Mr Dawson pointed out that IMO is building its systems so that other Ancillary Services could be switched on relatively easily (from an IMO’s perspective). Further Ancillary Services could be accommodated at relatively low additional system cost (for IMO’s systems) in future.</p> <p>Mr Dawson and Mr Parrotte pointed out that in the future opportunities might exist for shaping LF requirements and requirements for other Ancillary Services</p> <p>Ms Yang pointed out difficulties in the annual process of setting Ancillary Services requirements for the Market</p>	
3.	<p><b>Load Following Ancillary Services (LFAS) Drafting</b></p> <p>Mr Williams pointed out that the latest version (Version 3) has been distributed to participants and has been made available at the meeting to all participants.</p> <p>Mr Dykstra asked whether issues are being tracked along with</p>	

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	<p>Versions of the Rules</p> <p>Mr Williams confirmed</p> <p>Mr Dykstra pointed out some issues (like consistent naming of participants)</p> <p>Mr Williams pointed out the difficulties of managing the large number of changes and submissions and how to keep track of changes.</p> <p>Mr Dykstra highlighted the advantages of keeping track of issues and responses from the IMO</p> <p>Mr Dawson pointed out that the IMO will get back to participants with comments as time permits</p> <p>Mr Kelloway asked about deadlines for submissions to new Rule Drafting following distribution.</p> <p>Mr Kelloway also asked about details of the version tracking mechanism</p> <p>Mr Williams clarified how version tracking is being done</p>	
4.	<p><b>Balancing and LFAS Detailed Design</b></p> <p>Mr Koay asked about whether further workshops are planned to clarify issues. He pointed out that there are still a number of things that are unclear e.g. how exactly is the balancing price and balancing quantity interpreted in submissions. Working examples are required. Also details of Theoretical Energy Schedule (TES) / Constrained On/Off calculations are needed.</p> <p>Mr Dawson pointed out that the IMO has prepared a paper to outline details of the TES / Constrained on/off calculation is about to be distributed.</p> <p>Action: IMO to circulate TES paper to market (following read by AD)</p> <p>Mr Dykstra asked for a copy of Mr Williams presentation (LFAS paper)</p> <p>Mr Gould asked for a clean copy of the Rule Drafting</p> <p>Ms Yang asked about comments that have been incorporated into the LFAS paper</p> <p>Mr Williams pointed out that some of the comments had not been included in the latest version of the LFAS paper due to timing issues</p> <p>Mr Dawson reiterated that the IMO would like to hear about comments as early as possible.</p> <p>Mr Dykstra asked which facilities are exempt from participating in the LFAS Market</p> <p>Mr Williams explained the requirements of the eligibility criteria</p> <p>Mr Dykstra asked for clarification about the need to participate in Balancing (and technical requirements for that). The latest paper seemed to indicate a different position to previous requirements</p>	<p><b>IMO</b></p> <p><b>IMO</b></p> <p><b>IMO</b></p>

Item	Subject	Action
	<p>(mandatory participation).</p> <p>Mr Dykstra noted a “grace period” for participation which he appreciates</p> <p>Mr Dykstra asked about a requirement for meeting technical standards to participate in Balancing (Page 12 of 56) -&gt; suspension of participation from Balancing</p> <p>Mr Williams elaborated on details of the “suspension” from participation in Balancing</p> <p>Mr Dykstra asked about options to “not participate” in Balancing</p> <p>Mr Dawson commented on the nature of the market composition and the need for IMO to be careful of introducing mechanisms that are not practicable for small generators (very small generators). The suspension from Balancing refers to those generators. The suspension option is not meant to apply to “mainstream” generators.</p> <p>Mr Parrotte pointed out that there might be a number of levels of suspensions</p> <p>Mr Dawson pointed out that the detailed criteria of suspension might need some further work based on current composition of the Market.</p> <p>Mr Williams described what has been changed in the latest version of the Balancing and LFAS Detailed Design Paper (12 boxes paper)</p> <p>Mr Dawson pointed out that the paper update has been to keep the 12 boxes diagram and the paper in line with the latest Market Rule Drafting</p> <p>Mr Dawson asked whether anybody had any concerns about changes that have been made to the Paper, and encouraged participants to communicate any concerns to the IMO.</p> <p>Mr Dykstra noted changes to the timing of submission windows</p> <p>Ms Yang commented that on page 45 that there is an error in the equation on page 45 (footnote)</p> <p>Mr Stevens pointed out that there were no responses to emails being sent to the IMO and he questioned whether these emails would be taken into account for discussion during the RDIWG meetings</p> <p>Mr Stevens pointed out that there are other options for selecting facilities in “tie breaker” situations (i.e. options that are more efficient than random numbers).</p> <p>Mr Koay also pointed out that there are potentially better ways to select facilities in “tie breaker” situations than using random numbers</p> <p>Mr Williams pointed out that if facilities are more efficient that should be reflected in the submissions (pricing)</p> <p>Mr Dawson acknowledged the concern about tie breaker situations at the “caps”. Mr Dawson pointed out that more efficient generation</p>	

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	<p>should be reflected in submissions and noted that other markets are also using random numbers to resolve tie breaker situations.</p> <p>Mr Peak pointed out that he agreed with the IMO and that price advantages should be factored in submissions rather than a selection method.</p> <p>Mr Kelloway questioned to what extent the submission updates would be feasible at certain times during the day (i.e. in the middle of the night)</p> <p>Mr Dawson explained details of setting of caps and that the IMO has the ability to modify the setting of caps. The IMO will ensure that its systems will be able to tolerate negative caps of lower than -\$1000. The IMO believes that this will allow participants to differentiate in the price range close to the caps.</p> <p>Mr Kelloway asked about the structuring of other Ancillary Services in the paper</p> <p>Mr Williams clarified how this is described in the paper.</p> <p>Mr Stevens pointed out that Griffin would support Verve's option to re-bid more than 5 times if all meter data (SCADA) gets published.</p> <p>Mr Dawson asked Mr Stevens to put this in as a submission to the paper and also noted that the IMO had received advice from other parties on this issue. The IMO Board have expressed concern about Verve's ability to have the same number of resubmissions as IPPs. Mr Dawson outlined the relevance of an ongoing Market Power review.</p> <p>Mr Dawson also pointed out that the publishing of SCADA information is included in the latest drafting.</p> <p>Mr Koay asked to have this issue explained to him again.</p> <p>Mr Stevens asked about energy shortfall and the ability for IPPs to purchase energy from STEM and/or Balancing. The current design does not allow this. Mr Stevens pointed out that the current design does not provide for the most efficient market.</p> <p>Mr Dawson pointed out that the design started as a design for Balancing and that SM indicated at early stages that IPPs should not be short at the end of the STEM.</p> <p>Mr Kelloway elaborated on SM's position on this issue with regards to managing system risk</p> <p>Mr Sutherland pointed out that after having raised the inefficiency issue initially he has come to realise that bidding behaviour into the STEM is likely going to change as a result of the Balancing Market. So he believes this is not an issue for the MEP project to consider but should be considered separately.</p> <p>Mr Dawson – pointed out that if IPPs get an inefficient STEM outcome that Balancing provides another option for adjusting quantities / prices. The design was intended to provide a Balancing market that allows for correcting the IPP's position after STEM. Mr Dawson</p>	

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	<p>pointed out that the design is open to review once it's up and running.</p> <p>Mr Stevens pointed out that buying large quantities from the STEM is an inefficient financial outcome to meet their contractual obligations (e.g. in forced outage situations etc).</p> <p>Mr Dykstra pointed out that the new design is a step closer to a real time market.</p> <p>Mr Stevens pointed out that retailers have the option to let their energy requirements go to the Balancing Market whereas generates MUST buy from STEM. Mr Stevens pointed out that this poses another disadvantage to generators.</p> <p>Mr Rhodes pointed out that retailers must choose at 8.50am in the morning of the scheduling day. Mr Rhodes also pointed out that an intended outcome of the new design is that STEM will become more efficient (as per Sapere's ROI paper)</p> <p>Mr Dawson pointed out that it is unlikely that the STEM outcomes will be the same once the Balancing Market is in place. The IMO expects to see a change in STEM outcomes as a result of the change to the Market.</p> <p>Mr Dawson encouraged Mr Stevens to bring this issue up once the Balancing Market has been in place for 6 months. Mr Dawson cautioned to assume inefficiencies of the STEM based on the current situation.</p> <p>Mr Sutherland reiterated that he used to support Mr Steven's position but he has since changed his mind and believes that the Balancing mechanism will provide a useful mechanism to update IPP's position and will have an impact on how participants bid into the STEM.</p> <p>Mr Stevens pointed out that the biggest issue is for IPPs to have to buy significant amounts from STEM (necessarily and no other option to buy from Balancing).</p> <p>Mr Dawson again encouraged the group to have a discussion on this issue after the new Balancing market has been in placed for 6 months.</p> <p>Mr Peak pointed out that they will change their bidding behaviour once Balancing is available.</p> <p>Mr Kelloway asked about LF adjustments in balancing submissions</p> <p>Mr Dawson responded that the IMO is distributing a number of working examples (provided by Mr Truesdale) during this meeting</p> <p>Mr Parrotte asked about LFAS providers submissions being adjusted to caps</p> <p>Mr Williams explained the mechanism for adjusting submissions to the caps</p> <p>Mr Kelloway asked about the BMO and high risk states and how this will this work operationally? (i.e. requires a lot of Market Advisories) -</p>	



Item	Subject	Action
	<p>(on page 13 of 56 in design paper)</p> <p>Mr Dawson pointed out that System Management (SM) does not need to declare high risk to dispatch out of merit</p> <p>Mr Parrotte asked about operational aspects of SM working through the BMO. Ability of IPPs to respond as per requirements EVEN if they are far above / below the balancing point. Is there a “happy band” where IPPs can be sure that they won’t be called?</p> <p>Mr Williams explained the mechanism as intended</p> <p>Mr Dawson pointed out that IPPs should have all the information to manage whether they are likely going to be called for Balancing or not. Mr Dawson pointed out that the WHOLE balancing band is susceptible to being called.</p> <p>Mr Dawson pointed out that SM should be able to call “anyone” in the BMO to respond to dispatch instructions.</p> <p>Mr Parrotte questioned the viability of response time in Standing Data to make this workable for IPPs.</p> <p>Mr Parrotte provided a working example of where response times and IPP’s ability to respond will become an issue for SM (i.e. IPPs may not be able to respond within a meaningful period – i.e. the response time).</p> <p>Mr Dawson reiterated that IPPs have to be prepared to be able to respond to dispatch instructions. That’s the requirement for running a Balancing Market.</p> <p>Mr Parrotte questioned realities of responding to dispatch instructions even if they are far away from the balancing point.</p> <p>Mr Dawson reiterated that it would be a compliance issue if IPPs weren’t able to respond to DIs on an ongoing basis.</p>	
5.	<p><b>Reserve Capacity Refund Decision Paper</b></p> <p>Mr Pember provided an overview of the decision paper.</p> <p>Mr Kelloway asked whether the proposal was put in front of the design team (coming from the RDIWG) or has come from the design team. The RDIWG originally pointed out concerns about the generation level shortfall.</p> <p>Mr Sutherland pointed out that the CAPA calc should take into account that if an IPP becomes available (from previously being on outage) in real time they should not be penalised.</p> <p>Mr Rhodes elaborated on his position which does not support Mr Sutherland’s point</p> <p>NOTE: Mr Sutherland noted: Capacity refund shouldn’t be payable if the plant (that was previously unavailable) becomes available in real time. Capacity refunds associated with that unavailability no longer apply</p>	

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	<p>Mr Dawson pointed out that the IMO potentially needs an advisory if balancing submissions are out of line with plant availability</p> <p>Mr Pember pointed out implications for validations of submissions</p> <p>Mr Black pointed out that it is possible for the system to put out a warning but would not change the way the mechanism works</p> <p>Mr Sutherland reiterated the need for validations at the IMO point to save IPPs from wrong (inadvertently wrong) submissions</p> <p>Action on IMO: sort out validations for wrong (inadvertently wrong) submissions</p> <p>Mr Kelloway asked about details of the operational testing</p> <p>Mr Pember clarified the proposal</p> <p>Mr Dykstra asked about the relevance of the recommendations on the original issue (which was about compliance) – he questioned whether an operational test is a suitable means to assess a plant’s capability to meet certain requirements (e.g. ramp rates etc). Mr Dykstra pointed out that this is a compliance issue i.e. is it an operational issue or a deliberate behaviour on purpose.</p> <p>Mr Pember clarified the proposal</p> <p>Mr Dawson pointed out that the IMO has a suite of options to test inability to comply. Operational testing is merely an option to see if the participant has an operational issue or not. Other options include writing a “please explain” letter.</p> <p>Mr Dawson pointed out that this is not a Capacity Test (it works similar to a Capacity Test but does not have the same meaning and implications)</p> <p>Mr Dykstra pointed out that he is not comfortable with the recommendation</p> <p>Mr Kelloway pointed out that there are still a number of issues to be worked through</p> <p>Outcome: IMO to hold back on recommendation and work through more details</p>	<p><b>IMO</b></p> <p><b>IMO</b></p>
<p><b>6.</b></p>	<p><b>Proposed Timeline</b></p> <p>Mr Dawson outlined the timeline and highlighted the following key dates:</p> <p>RDIWG will be provided with last draft of Rule Change paper</p>	

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	<p>(including all comments) on 30 August</p> <p>Final papers will proceed to MAC on 14 September</p> <p>15 Sep to IMO Board</p> <p>19 Sep first draft of Rules released for communication</p> <p>Mr Dawson pointed out that the IMO would like to know about “big issues” before formal Rule Change process commences. Ideally all “big issues” would be resolved by the time Rule Change process commences. Mr Dawson also noted that principle “design” issues are difficult to address as part of the submission process for Rule Changes</p> <p>Mr Dawson pointed out that there won't be any extensions of deadlines in the standard rule change process. He encouraged participants to work with the IMO to manage submissions in order to keep timelines as per the standard rule change process.</p>	
7	<p><b>Market Procedure List and Timetable</b></p> <p>Was supposed to be delivered today but is not available</p> <p>Action: IMO to ensure this is made available to Participants before the end of the week</p>	IMO
8.	<p><b>GENERAL BUSINESS</b></p> <p>Mr Pember outlined changes to the MEP team around Mr Birnie's and Mr Pember's responsibilities as part of MEP.</p>	
9.	<p><b>OUTSTANDING ACTION POINTS</b></p> <ul style="list-style-type: none"> <li>• Action item 51: No change</li> <li>• Action item 91: Mr Williams outlined that the IMO talked to Verve a number of times about this – once Verve has ability to “digest” the new LFAS information that was provided during this meeting, they can contact the IMO for further discussion (no change to action status)</li> </ul>	
10.	<p><b>NEXT MEETING</b></p> <p>Meeting No. 16 will be held on Tuesday 30 August 2011 (9.30am-12.30pm).</p>	
11.	<p><b>CLOSED:</b> The Chair thanked members and declared the meeting closed at 12.10pm.</p>	