

Independent Market Operator

Rules Development Implementation Working Group

Minutes

Meeting No.	16
Location:	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
Date:	Tuesday 30 August 2011
Time:	9.30am to 12.30pm

Attendees	
Allan Dawson	IMO (Chair)
Douglas Birnie	IMO (by phone)
John Rhodes	Market Customer
Corey Dykstra	Market Customer
Steve Gould	Market Customer
Andrew Sutherland	Market Generator
Chin Koay	Market Generator
Patrick Peake	Market Generator
Phil Kelloway	System Management
Cameron Parrotte	System Management
Chris Brown	ERA
Paul Hynch	Office of Energy
Jim Truesdale	Observer
Steve Black	Observer
Fiona Edmonds	Observer
Simon Adams	Observer
Winston Cheng	Observer
Suzanne Frame	Observer
Ben Williams	Presenter
Matthew Pember	Presenter / Minutes
Apologies	

Item	Subject	Action
	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the 16th meeting of the Rules Development Implementation Working Group (RDIWG) at 9.38am.</p>	

Item	Subject	Action
1.	<p>PREVIOUS MEETING'S MINUTES</p> <p>Mr Kelloway asked for clarification on comments regarding removal of facilities that aren't performing from LFAS order. Can the IMO stop those facilities from nominating and what do SM do if they don't respond? Can SM just ignore people that aren't coming through on their obligations?</p> <p>Mr Dawson clarified that High Risk states can be called when required. Mr Dawson highlighted the importance of notifying the market of SM activity and the need to ensure decisions are transparent.</p> <p>Mr Kelloway would like to clarify if SM can do certain things to avoid a high risk state rather than just remedy one. He was advised that SM is empowered to take action to avoid potential system security issues or high risk states.</p> <p>Mr Kelloway queried whether worked examples had been provided and was advised that they had been sent out at the last RDIWG meeting.</p> <p><i>The following amendments were agreed to the previous minutes.</i></p> <p>Mr Sutherland requested an amendment to the second last paragraph on Page 7. The suggestion at the previous meeting was that STEM would be reviewed again after balancing.</p> <p><i>Actions from last meeting</i></p> <ul style="list-style-type: none"> • The Theoretical Energy Schedule (TES) and constrained on/off paper has been circulated. • Clean copies of Amended Market Rules have been provided. • Bens presentation from the previous meeting has been circulated • Other items relating to STEM and balancing, and exposure to capacity credits to be supplied in a later paper. • Procedures to be discussed at item 4 of this meeting. 	
2.	<p>Ben Williams' presentation on Compliance</p> <p>Mr Williams presented a high level overview of the new compliance process.</p> <p>Mr Dykstra asked about constrained on/off quantities and requested clarification on what happens if Participants deviate away from Dispatch Instructions.</p> <p>Mr Truesdale advised that if Participants don't meet a Dispatch Instruction no constrained payments are made. If Participants meet Dispatch Instructions they are eligible for constrained payments for energy provided outside of the TES (in addition to Balancing payments at the Balancing Price).</p> <p>Mr Williams advised that the compliance team will review constrained</p>	

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	<p>payments to check for unexpected behaviour and patterns of behaviour outside of instructions over time. Tolerances will be applied to out of merit quantities so not every deviation will result in constrained payments. The compliance team will ask questions of generators to find out why they behaved in particular ways, where appropriate.</p> <p>Mr Dawson commented that once SM has its dispatch tool in place the IMO may review how constrained payments are made depending on the information that can be extracted. Mr Dawson made it clear that there is no intention to reward poor behaviour.</p> <p>Mr Kelloway asked about existing dispatch tolerances and their relevance to the new dispatch process. Mr Kelloway questioned whether there was a trigger that indicated to SM when they should advise the IMO of a potential issue with behaviour?</p> <p>Mr Williams advised that SM is to use their own existing tolerances as a guideline.</p> <p>Mr Sutherland suggested it was worth noting that transparency around breaches and compliance is a good deterrent as Participants would want to avoid being issued continuous breach letters or other "please explain letters" which may be more common.</p> <p>Mr Dykstra asked about forced outages and requirements to adjust Balancing submissions.</p> <p>Mr Dawson and Mr Williams advised that behaviour such as moving quantities out to the margin prices if it is clear that a Participant is about to be dispatched, will be monitored and investigated. Facilities should be nominating quantities as unavailable in their submissions and subsequently provide outage notices later if need be.</p> <p>Mr Dawson noted that submission changes after gate closure cannot be commercial changes but can only be made due to physical constraints.</p> <p>Mr Dawson noted that as forecasts become more accurate, where the bidding behaviour of a Participant deviates away from those forecasts, this behaviour is likely to be investigated.</p> <p>Mr Dawson advised that not all of the compliance tools will be available at market start and may be rolled out over a twelve month period. Compliance issues that have a more significant impact on the market will be looked at as a priority.</p> <p>Mr Dykstra asked for clarification of civil penalties.</p> <p>Mr Williams believed that these averaged \$50,000 but was not sure of the exact details.</p> <p>Mr Dawson advised that the IMO has a list of the civil penalties clauses and these will be reviewed as part of the project.</p> <p>Mr Dawson commented that the IMO will be encouraging Participants to have open communications with the IMO to discuss circumstances around compliance investigations. Mr Dawson pointed out that the IMO is more concerned with the long term behaviour of Participants rather than simply issuing immediate mandatory penalties. Furthermore Mr Dawson noted that the IMO was keen to encourage Participants to do the right thing.</p> <p>Mr Sutherland commented that Participants were not resourced to respond to a large amount of letters from the IMO regarding</p>	

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	<p>compliance.</p> <p>Mr Dawson advised that the IMO would work to get the information they needed with minimal impact on Participants.</p> <p>Mr Dykstra commented that REMCo has processes that allow for notification to be given if a breach was not material and no further action is required. Mr Dykstra asked about the IMO's course of action when an investigation results in no breach.</p> <p>Mr Dawson advised that the IMO hasn't decided but pointed out that it is likely going to be a formal response and not a formal warning.</p> <p>Mr Parrotte asked what will be required from SM in these instances.</p> <p>Mr Dawson advised that SM will need to provide all relevant information to the IMO.</p> <p>Mr Parrotte clarified that SM are interested in the impact the process of following up on notifications will have on staff and resources.</p> <p>Mr Dawson advised that as a trade off for removal of UDAP/DDAP and Net STEM shortfall refunds there will be some need for expanded compliance activities. Participants should take this process into account and balance any related effort against the financial benefits of changes.</p> <p>Mr Dykstra commented that the proposed compliance changes are better than the existing process and the approach is very sensible. He has no immediate issues with the proposal.</p> <p>Mr Dawson commented that there will be more transparency so Participants will be advised of each others behaviour.</p> <p>It was questioned how compliance lessons learnt will be shared. Mr Dawson advised that the compliance team will need to conduct regular workshops/forums to impart this information.</p> <p>Mr Truesdale commented that some markets conduct site visits to talk through issues.</p> <p>Mr Dawson advised that Barbara Sole and Ben Williams have been appointed to the compliance team currently and the IMO will be looking to appoint another one or two resources at a later date.</p> <p>Mr Sutherland suggested that a 'Please explain' letter will be treated much more seriously than the existing UDAP/DDAP penalties and the last thing Participants will want is to be required to explain compliance issues to their Boards. It was commented that the new market should make compliance easier.</p>	
3.	<p>Net STEM Shortfall Refunds paper</p> <p>A general discussion was had on the need for Operational Tests. SM expressed concerns that the existing Reserve Capacity Test wouldn't be sufficient as it does not test whether a facility could match MW movements between intervals. The existing test only tests one level of maximum energy output.</p> <p>Mr Parrotte suggested that he believed this to be the original purpose of the test.</p> <p>Mr Dawson commented that a separate Operational Test would require adjustments to existing rules.</p>	

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	<p>Mr Kelloway requested clarification on who could request operational tests. Mr Kelloway asked if SM (as well as the IMO) could request a test when SM believe it is warranted?</p> <p>Mr Sutherland pointed out that an Operational Test can be an expensive exercise for Participants.</p> <p>Mr Dawson further clarified that this is one of the last measures that will be taken to confirm evidence of compliance breaches.</p> <p>Action – The IMO to remove Operational Test references from the Net STEM Shortfall Refunds paper and instead refer to the new compliance procedure where the Operational Tests will be explained in more detail. The Operational Test is an optional tool to be used as part of compliance investigations and may also be used for other investigations outside of Net Stem Shortfall refund investigations.</p>	
4.	<p>Market Procedures</p> <p>Mr Birnie apologised for not sending out papers as promised at the last meeting and advised that the task was larger than expected. The IMO now has a large list of procedures to review and is still working on timelines for completion. The IMO and SM need to workshop many of the changes. The IMO will distribute the existing list and Participants can provide feedback. This version of the list will only be a draft and will take a few more days to prepare. The IMO would like Participants to indicate priorities for procedure changes in their comments so that the IMO can prepare its work schedule.</p> <p>Mr Black advised that the IMO also has Balancing IT interface requirements drafted which will be published soon.</p> <p>Mr Kelloway commented that when procedures are being reviewed it is important that all Participants have some input.</p> <p>Mr Birnie indicated that the IMO would schedule workshops for the IMO and SM to go through the key procedures within the next two months.</p> <p>Mr Dykstra commented that the IMO should send out the procedure list as soon as possible so Participants can suggest priorities. He believed the high priority procedures would be around Balancing Facility requirements and obligations.</p> <p>Mr Birnie noted that the procedure change process is staged which is part of prioritisation. He advised that the IMO would provide the list of existing procedures that required changes within the next two days.</p> <p>Mr Dykstra requested that Participants are given until Friday 09/09/2011 to review.</p> <p>Mr Kelloway commented that governance of procedure changes may need to change to allow for more review time given the higher emphasis placed on Market Procedures in the future.</p> <p>Mr Dawson suggested that there will be plenty of opportunity outside of the standard Procedure Change Process for Participants to comment and have input.</p> <p>Mr Parrotte advised that SM have done an internal review of their procedures and that SM are ready to merge the procedure review with the IMO's review. Mr Parrotte noted that SM's procedures</p>	

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	should be published when IMO's procedures are published.	
5.	<p>Responses to comments on the draft Amended Market Rules</p> <p>The RDIWG reviewed the list of responses and provided the following comments:</p> <p>Regarding Alinta's suggestion that the IMO's decision to suspend a Market Participant's balancing obligations and impose alternative obligations be a reviewed decision. Mr Dawson advised that he was not available to respond to this comment prior to distribution but he agrees that this should definitely be a reviewable decision.</p> <p>Mr Birnie advised that all the comments received by Friday were incorporated in the responses but did not include Verve Energy comments which were received on Monday. Furthermore Mr Birnie noted that some of Verve Energy's queries had already been answered from the second round of comments but that the IMO would provide a complete response soon.</p> <p>Mr Williams thanked Participants who responded to the rules drafting for their comments.</p> <p>Mr Dawson advised that if any Participants wished to discuss some of the individual responses outside of the RDIWG meeting the IMO would be happy to do so.</p> <p>Mr Dykstra queried whether the Market Rules should specifically separate out balancing requirements in the areas of the Rules that relate to the provision of data to the ERA.</p> <p>Mr Adams advised that the Market Rules did not contain any specific Balancing and LFAS requirements relating to the ERA that needed to be mentioned in the rules. Mr Adams explained that most aspects the ERA would like to include in the Rules were already covered in other parts of the existing Rules.</p>	
6.	<p>Proposed Timeline</p> <p>Mr Birnie provided some information on key dates for the formal rule submission process.</p> <p>An updated draft of the amended Market Rules was distributed at the meeting. Mr Birnie pointed out that this was the final opportunity for the RDIWG to comment on the proposed Market Rules and that responses must be provided to the IMO by C.O.B Tuesday 6 September 2011. MAC papers go out on Wednesday 7/9/2011 for the MAC meeting on Wednesday 14/9/2011. The IMO Board will meet on the 15/9/2011 to approve the Rule change submission. The Rule Change proposal will be formally submitted on Monday 19/9/2011.</p> <p>Mr Dykstra requested an extension of the time to review the draft rules until Friday 09/09/2011 due to the high amount of activity happening this week.</p> <p>Mr Dawson pointed out that comments can be made as part of MAC and also commented that any responses received late can be</p>	

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	<p>circulated to MAC late.</p> <p>The IMO will provide another copy prior to MAC. This version of the amended Market Rules will be marked up with any further changes between now and then.</p> <p>Mr Kelloway advised that SM is currently base-lining their IT development on the version of Market Rules dated 9 August 2011.</p> <p>Mr Dawson advised that the IMO is also base-lining their systems and suggested that the IMO and SM should be base-lining on the same version. The IMO would like to use Version 4 of the Proposed Rules (tabled at this meeting) for base-lining.</p> <p>Mr Kelloway's letter to the RDIWG chair distributed prior to the meeting will be discussed outside of the meeting.</p>	
7.	<p>GENERAL BUSINESS</p> <p>Mr Dawson advised that the IMO has a Market Trial plan drafted which will be circulated to Participants soon.</p> <p>Mr Parrotte advised that SM and the IMO have had a few meetings on transitional arrangements and that a draft of these arrangements may be distributed soon. A market day walkthrough is also being arranged for members of the Generator and IMO Operator forums. The walkthrough is currently scheduled for the morning of 14 September but is likely to be changed to the afternoon due to the need for Traders to attend.</p> <p>Mr Dawson noted that any scenarios presented during the walkthrough needed to be realistic and not only cover extreme scenarios. Mr Dawson commented that normal daily activities may prove to be more helpful for people to understand the Balancing processes.</p>	
9.	<p>NEXT MEETING</p> <p>Mr Birnie advised that next RDIWG meeting is not yet set but that the IMO will be conducting procedural workshops during October. The IMO will advise which Procedures are to be workshopped at the next meeting.</p>	
11.	<p>CLOSED: The Chair thanked members and declared the meeting closed at 11:52am.</p>	