

Independent Market Operator

Rules Development Implementation Working Group

Minutes

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

Attendees	
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 Ditric	Observer
Kieran Lee	Observer
Greg Thorpe	Observer
Stephen MacLean	Observer
Deb Rizzi	Observer
Apologies	
Patrick Peake	Market Customer
Andrew Everett	Market Generator
Shane Cremin	Market Generator

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

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	<p>Apologies were received from:</p> <ul style="list-style-type: none"> • Patrick Peake – Market Customer • Andrew Everett – Market Generator • Shane Cremin – Market Customer. 	
2.	<p>INFORMATION REQUIREMENTS AND INTERACTION</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>REALIGNMENT OF SCHEDULING DAY TIMELINES</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"> • to allow the use of the 12.15pm Bureau of Meteorology (BOM) forecast instead of the currently used 7.00am forecast; and • to shift the closure of the STEM Submission window to after Market Participants have been advised of their daily gas imbalances. <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"> • Two members reported on their discussions with the BOM to 	IMO

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	<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"> • 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. • 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. • 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. • 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. • 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. • 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. • There was some discussion about whether there would be benefit in Verve Energy providing Resource Plans to the IMO. <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>System Mgmt</p> <p>IMO</p> <p>IMO</p>

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	<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>IMO</p> <p>IMO</p> <p>Gentailer reps</p> <p>IMO</p>
<p>4</p>	<p>PRESENTATION ON BALANCING PRICE FORMATION</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"> • 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; • agreed that inconsistency between quantities included in Relevant Quantity calculation and the MCAP price curve should be addressed; • agreed in principle that the balancing price curve should only include balancing resources (i.e. clean pricing); and • agreed in principle that DDAP/ UDAP should be removed, or set to lower levels, better reflecting impacts on balancing requirements. 	

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	<p>The RDIWG discussed whether the introduction of clean pricing should be conditional upon achieving competition in the provision of balancing services and whether the removal or reduction of DDAP/UDAP could be progressed earlier. The RDIWG acknowledged the IMO's recommendation that these changes should not be pursued in isolation.</p> <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>	IMO
5	<p>GENERAL BUSINESS</p> <p>There was no general business raised.</p>	
6	<p>NEXT MEETING</p> <p>Meeting No. 4 will be held on Monday 11 October 2010 (9.00am-2.00pm).</p>	
7	<p>CLOSED: The Chair declared the meeting closed at 2.20 pm.</p>	