Independent Market Operator

Rules Development Implementation Working Group

Minutes

Meeting No.	5	
Location:	IMO Board Room	
	Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth	
Date:	Tuesday 2 November 2010	
Time:	Commencing at 9.07am to 1.33pm	

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)	
Andrew Everett	Market Generator	
Shane Cremin	Market Generator	
Andrew Sutherland	Market Generator	
Phil Kelloway	System Management	
Paul Hynch	Office of Energy	
Chris Brown	ERA	
Courtney Roberts	Minutes	
Douglas Birnie	Presenter	
Jim Truesdale	Presenter	
Matthew Pember	Presenter	
Greg Thorpe	Presenter	
Peter Ryan	Presenter	
Jenny Laidlaw	Observer	
Troy Forward	Observer	
Winston Cheng	Observer	
Jacinda Papps	Observer	
Will Street	Observer	
Apologies		
Patrick Peake	Market Customer	

Item	Subject	Action
1.	WELCOME AND APOLOGIES / ATTENDANCE	
	The Chair opened the 5th meeting of the Rules Development Implementation Working Group (RDIWG) at 9.07am.	
	The Chair welcomed Mr Peter Ryan to the meeting. An apology was received from:	
	Patrick Peake – Market Customer.	
2.	PREVIOUS MEETING'S MINUTES	
	The minutes of RDIWG Meeting No. 4, held on 11 October 2010, were circulated prior to the meeting. The RDIWG endorsed the minutes as a true and accurate record of that meeting.	
	Action Point: The IMO to publish the minutes of Meeting No. 4 on the website as final.	IMO
3	BALANCING PROVISION OPTIONS	
	Mr Peter Ryan gave a presentation on Griffin Energy's proposed approach to implement competitive Balancing in the Wholesale Electricity Market (WEM). The approach leverages the existing Dispatch Instruction mechanisms and standing data provisions, and involves both Verve Energy and Independent Power Producers (IPPs) submitting Balancing bids/offers via registration standing data to the IMO for Peak/Off-Peak and up/down dispatch. A copy of the presentation is available on the IMO website.	
	The RDIWG also discussed the contractual and dispatch based balancing option outlines circulated by the IMO prior to the meeting, and the feedback on the options provided by RDIWG members. It was noted that most of the feedback had expressed a preference for the dispatch based option.	
	The following points were discussed.	
	• Some members questioned whether the proposed bid/offer structure (the same as that currently used for IPP pay as bid Balancing submissions) would provide sufficient granularity.	
	• There was general agreement that the key issue with the proposal was how to create a dispatch merit order that allowed System Management to choose which of the available Verve Energy and IPP Facilities to dispatch.	
	• There was some discussion about how a Dispatch/Resource Plan for Verve Energy could be generated, and how/whether Verve Energy could provide Facility based increment and decrement bids for Balancing relative to this plan. The limitations of the current dispatch plans provided to Verve Energy were noted.	
	• The perception of transparency issues around the current System Management/Verve Energy dispatch process was discussed. Mr Phil Kelloway offered to give a presentation on the dispatch process to the RDIWG at the next meeting.	
	• Concerns were raised that some proposals could adversely affect the dispatch process by reducing the flexibility available to System Management. There was some discussion about the extent of the problem and the ways in which it could be	

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	addressed. Some members suggested the ability for System Management to call on a wider range of plant for Balancing should produce better outcomes in terms of security and reliability.	
	 There was some discussion around the reasons for the proposal limiting offers to +/- 10 MWh blocks for committed Facilities. It was suggested that any mechanism would need to deal with commitment decisions to be successful. 	
	 There was discussion about the impact of Load Following on Verve Energy's ability to submit price offers for Balancing, i.e. how it would bid if it did not know System Management's Load Following requirements for its plant. 	
	 There was some discussion about how IPPs would form their Balancing bids in situations where they had limited fuel. 	
	The need to support renominations was discussed.	
	 There was discussion about whether Balancing offers needed to be made at the Facility level or whether a portfolio approach could work. 	
	Action Point: System Management to provide a presentation to RDIWG members at the 23 November 2010 meeting, on the current process for the dispatch of Verve Energy facilities by System Management.	SM
	Action Point: The IMO to work with System Management and Verve Energy to investigate possibilities for generation of the dispatch plans and balancing offers/bids needed to support a competitive Balancing solution and develop a dispatch-based option for the provision of competitive Balancing and present a proposal to RDIWG members at the 23 November 2010 meeting.	IMO/SM/ Verve
4	BALANCING PRICE FORMATION	
	Mr Jim Truesdale provided the RDIWG with a summary of the investigation into MCAP pricing anomalies. Details of the analysis and its findings are available in the Discussion Paper: "Balancing Price Formation", included in the papers distributed for this meeting and available on the IMO website.	
	In response to questions from RDIWG members, Mr Truesdale presented a modified version of Figure 13 in the Balancing Price Formation paper, which shows the cumulative impact on average MCAP of adjusting the Relevant Quantity to :	
	 remove Resource Plans and shortfalls where the participants concerned never submit STEM supply curves; 	
	 remove Resource Plans and shortfalls in Trading Intervals in which the relevant participant did not submit a STEM supply curve or all tranches in its STEM supply curve submissions were above the STEM clearing price in all Trading Intervals; and 	
	 account for inconsistencies between Resource Plan/shortfalls and STEM supply curve quantities prices below the STEM clearing price. 	
	The modified version of Figure 13 is attached as Appendix 1.	

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	Mr Truesdale explained the difficulties involved in trying to further separate out the causes of the MCAP anomalies. The RDIWG agreed that this task was more complex than originally perceived, and decided not to pursue the investigation further at this time.	
	Action Point: The IMO to consider whether in the short term it should request Market Participants that do not make STEM supply curve submissions to not submit Resource Plan/Shortfalls and provide the information to System Management separately.	IMO
	Action Point: The IMO to confirm the MCAP percentages in the handout Jim Truesdale distributed at the end of the meeting.	IMO
5	MEP PROGRAM SUMMARY	
	Mr Douglas Birnie sought feedback from RDIWG members on the draft Market Evolution Program Summary. The following points were discussed.	
	 It was questioned why the scope of the MEP did not include the whole of the Reserve Capacity Mechanism. 	
	 Some members expressed concerns about some details in the Executive Summary. It was agreed that members should provide specific feedback on the document by email. 	
	 The proposed budget for the program was discussed. It was noted that the budget represented a maximum requirement, and that the actual amount used would depend on the complexity of the implemented solutions. 	
	• The method of funding the program was queried. It was explained that Treasury would lend the IMO the necessary funds, and that the costs would not be capitalised and reflected in Market Fees until the changes had been implemented. It was noted that the program had not triggered a Declared Market Project.	
	 Details of the expected OPEX impacts of the program were requested. 	
	• The expected costs of the program for other participants were questioned.	
	 Mr Matt Pember provided additional details about the IT budget, the IT areas to be addressed by the program and the reasons for the interlinking of the base and MEP IT roadmaps. 	
	 It was noted that the budget assumed a certain timeframe for the making of key decisions, and that delays in reaching these decisions would extend the project and increase its costs. The budget assumed that most work would be completed by December 2011. 	
	 The IMO offered to give a presentation on the MEP at the offices of any interested Market Participant. 	
	 It was noted that the ERA was not involved in the approval process for the program. The methods by which the IMO would inform stakeholders about the MEP and its progress were discussed, including publication of documents on the 	

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	IMO website and meetings every three months with the wider community.	
	Action Point: RDIWG members to email their comments on the draft Market Evolution Program Summary to the IMO by 5.00pm on Wednesday 10 November 2010.	All
	Action Point: The IMO to incorporate the feedback received on the Market Evolution Program Summary and then use as a public reference document for the Program subject to the approval of the IMO Board.	IMO
	Action Point: The IMO to provide RDIWG members with further details on the IMO IT Roadmap, the estimated OPEX impacts of the Market Evolution Program and the estimated impact of the Program on Market Fees.	IMO
	Action Point: The IMO to offer site presentations to Working Group members and invite Working Group members to participate in the presentations.	IMO
6	GENERAL BUSINESS	
	The following issues were discussed:	
	 the need for a wider review of the entire Reserve Capacity Mechanism; 	
	 issues around the constrained network approach to planning; 	
	 concerns around the extent of Demand Side Management in the market; 	
	 the status of the current work on Capacity Cost Refunds (the IMO advised that a paper would be presented at the next meeting); and 	
	 the appropriateness of the runway method for Spinning Reserve cost allocation. 	
7	NEXT MEETING	
	Meeting No. 6 will be held on Tuesday 23 November 2010 (9.00am-2.00pm).	
8	CLOSED: The Chair declared the meeting closed at 1.33pm.	

