

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.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the 5th meeting of the Rules Development Implementation Working Group (RDIWG) at 9.07am.</p> <p>The Chair welcomed Mr Peter Ryan to the meeting. An apology was received from:</p> <ul style="list-style-type: none"> • Patrick Peake – Market Customer. 	
2.	<p>PREVIOUS MEETING'S MINUTES</p> <p>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.</p> <p><i>Action Point: The IMO to publish the minutes of Meeting No. 4 on the website as final.</i></p>	IMO
3	<p>BALANCING PROVISION OPTIONS</p> <p>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.</p> <p>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.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • 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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	<p>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.</p> <ul style="list-style-type: none"> • 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. <p><i>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.</i></p> <p><i>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.</i></p>	<p style="text-align: center;">SM</p> <p style="text-align: center;">IMO/SM/ Verve</p>
4	<p>BALANCING PRICE FORMATION</p> <p>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.</p> <p>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 :</p> <ul style="list-style-type: none"> • 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. <p>The modified version of Figure 13 is attached as Appendix 1.</p>	

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	<p>IMO website and meetings every three months with the wider community.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>Action Point: The IMO to offer site presentations to Working Group members and invite Working Group members to participate in the presentations.</i></p>	<p>All</p> <p>IMO</p> <p>IMO</p> <p>IMO</p>
<p>6</p>	<p>GENERAL BUSINESS</p> <p>The following issues were discussed:</p> <ul style="list-style-type: none"> • 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. 	
<p>7</p>	<p>NEXT MEETING</p> <p>Meeting No. 6 will be held on Tuesday 23 November 2010 (9.00am-2.00pm).</p>	
<p>8</p>	<p>CLOSED: The Chair declared the meeting closed at 1.33pm.</p>	

