

## Independent Market Operator

### Rules Development Implementation Working Group

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#### Minutes

<b>Meeting No.</b>	6
<b>Location:</b>	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
<b>Date:</b>	Tuesday 23 November 2010
<b>Time:</b>	Commencing at 9.09am to 12.38pm

<b>Attendees</b>	
Allan Dawson	IMO (Chair)
Stephen MacLean	Market Customer (proxy for John Rhodes)
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
Jenny Laidlaw	Minutes
Jim Truesdale	Presenter
Peter Ryan	Observer
Troy Forward	Observer
Douglas Birnie	Observer
Greg Thorpe	Observer
Ben Williams	Observer
Winston Cheng	Observer
Jacinda Papps	Observer
Will Street	Observer
<b>Apologies</b>	
Patrick Peake	Market Customer
John Rhodes	Market Customer

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Item	Subject	Action
1.	<p><b>WELCOME AND APOLOGIES / ATTENDANCE</b></p> <p>The Chair opened the 6th meeting of the Rules Development Implementation Working Group (RDIWG) at 9.09am.</p> <p>The Chair welcomed Mr Peter Ryan as an observer to the meeting.</p> <p>Apologies were received from:</p> <ul style="list-style-type: none"> <li>• John Rhodes – Market Customer; and</li> <li>• Patrick Peake – Market Customer.</li> </ul>	
2.	<p><b>PREVIOUS MEETING'S MINUTES</b></p> <p>The minutes of RDIWG Meeting No. 5, held on 2 November 2010, were circulated prior to the meeting.</p> <p>The following amendments were agreed:</p> <p><u>Page 2: Section 3: Balancing Provision Options</u></p> <ul style="list-style-type: none"> <li>• “The following points were discussed. <ul style="list-style-type: none"> <li>○ <del>It was suggested that given the expected increases in Balancing and Ancillary Services costs a decision needs to be made on whether to break the relationship between System Management and Verve Energy and introduce competitive Balancing, or else remove the 3000 MW cap on Verve Energy generation capacity. It was noted that the latter option did not fall within the scope of the Market Evolution Program (MEP).</del></li> <li>○ Some members questioned ...”</li> </ul> </li> </ul> <p><u>Page 3: Section 3: Balancing Provision Options</u></p> <ul style="list-style-type: none"> <li>○ “Concerns were raised that <del>the proposal would</del> <u>some proposals could</u> adversely affect the dispatch process by reducing the flexibility available to System Management. There was some discussion ...”</li> </ul> <p>Subject to the agreed amendments, the RDIWG endorsed the minutes as a true and accurate record of that meeting.</p> <p><i>Action Point: The IMO to amend the minutes of Meeting No. 5 to reflect the points raised by the RDIWG and publish on the website as final.</i></p> <p>A question was raised about whether the IMO would be able to capitalise all of its expenditure on the Market Evolution Program.</p> <p><i>Action Point: The IMO to confirm the accounting advice it has received previously that its expenditure on the Market Evolution Program can all be capitalised.</i></p>	<p style="text-align: right;">IMO</p> <p style="text-align: right;">IMO</p>
3	<p><b>BALANCING PROVISION OPTIONS</b></p> <p>Mr Jim Truesdale gave a presentation highlighting key aspects of the</p>	

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	<p data-bbox="418 233 1278 296">“Balancing Support” paper distributed to RDIWG members in the papers for this meeting. The presentation is attached as Appendix 1.</p> <p data-bbox="418 327 1278 516">Individually, RDIWG members agreed that the approach outlined in the Balancing Support paper provided a viable and relatively simple option for the implementation of competitive balancing within the constraints of the hybrid model. RDIWG members agreed to pursue the proposed approach further in order to elicit its operational details and assess its technical viability.</p> <p data-bbox="418 548 867 579">The following points were discussed.</p> <ul data-bbox="467 600 1278 1388" style="list-style-type: none"> <li data-bbox="467 600 1278 940">• Some RDIWG members noted that the approach had limitations and would not deliver equal treatment of Verve Energy and Independent Power Producers (IPPs) with regard to balancing arrangements. However, members also acknowledged the direction of the Market Advisory Committee (MAC) that initial development work for the Market Evolution Program, including options to increase participation in the provision of balancing services, should assume the retention of the current hybrid market design (with retention of the relationship between System Management and Verve Energy).</li> <li data-bbox="467 961 1278 1115">• It was noted that the approach would provide Verve Energy with the opportunity over time to use the half hourly offer/bid submission system established for IPPs for some or all of its Facilities, enabling an eventual transition to a full Facility based regime.</li> <li data-bbox="467 1136 1278 1192">• There was some discussion about the inefficiencies of a simple price-quantity bidding structure without renominations.</li> <li data-bbox="467 1213 1278 1312">• There was some discussion about the benefits and risks of increasing the amount and the timeliness of the market information provided to Market Participants.</li> <li data-bbox="467 1333 1278 1388">• It was noted that a cost/benefit analysis would be required prior to a final decision.</li> </ul> <p data-bbox="418 1419 1278 1545">The RDIWG agreed that the proposal had merit and asked that the proposal be workshopped with operational staff, to identify and address any technical issues affecting the viability of the option and to have its benefits and costs assessed – at a high/summary level.</p> <p data-bbox="418 1577 1278 1734">Mr Andrew Everett gave a brief presentation about how the actual dispatch of Verve Energy Facilities can vary from the Dispatch Plans generated by System Management. Mr Everett presented a set of graphs comparing forecast versus actual dispatch over a one week period. The presentation is attached as Appendix 2.</p> <p data-bbox="418 1766 1278 1829">Mr Everett noted four particular differences highlighted in the presentation:</p> <ul data-bbox="467 1850 1278 1971" style="list-style-type: none"> <li data-bbox="467 1850 997 1881">• Point 1: an unexpected de-commitment;</li> <li data-bbox="467 1902 1208 1934">• Point 2: a planned de-commitment that did not eventuate;</li> <li data-bbox="467 1955 1278 1971">• Point 3: a de-commitment brought forward by several hours;</li> </ul>	

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	<p>and</p> <ul style="list-style-type: none"> <li>• Point 4: a combination of multiple changes.</li> </ul> <p>RDIWG members discussed the cost impacts of these changes and the options available to Verve Energy to avoid any inefficient dispatch of its plant. It was stressed that the purpose of the presentation was to demonstrate the extent to which circumstances can change following the STEM auction and the need to support renominations.</p> <p><i>Action Point: The IMO to further develop the operational details of the proposed Balancing provision solution and consult with industry operational staff on these details in a workshop to be conducted before the end of December 2010.</i></p> <p><i>Action Point: The IMO to undertake a high level cost/benefit analysis for the proposed Balancing provision solution.</i></p>	<p>IMO</p> <p>IMO</p>
<p><b>4</b></p>	<p><b>ANCILLARY SERVICES PROCUREMENT</b></p> <p>Mr Phil Kelloway gave a presentation on System Management's proposal for the partial competitive procurement of Load Following Ancillary Services (LFAS). A copy of the presentation slides was circulated with the papers for this meeting.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> <li>• RDIWG members noted the close relationship between Balancing and LFAS.</li> <li>• Some members suggested that the participation level may be greater if Market Participants could offer to provide a smaller quantity block of LFAS, e.g. 5 MW, and/or make asymmetric offers, e.g. -5 MW rather than +/- 5 MW. The benefits and issues around allowing asymmetric offers were discussed.</li> <li>• Some members considered that it could be difficult for some Market Participants to offer LFAS for the time blocks required under the proposal, and that Peak/Off-Peak offers did not provide enough granularity.</li> <li>• It was clarified that more than two IPPs could have Facilities accredited to provide LFAS.</li> <li>• It was clarified that under the proposed framework competitive LFAS offers would be assessed on the basis of the availability prices bid, i.e. there would be no co-optimisation with energy /balancing costs.</li> <li>• It was clarified that payments would be reduced only where a LFAS provider failed to fully respond to a request to move up or down.</li> <li>• It was noted that the timelines, processes and procedures for competitive LFAS procurement and the proposed competitive Balancing market will need to be carefully aligned to avoid timing conflicts and inefficiencies.</li> <li>• There was some discussion about the extent of the pricing risk</li> </ul>	

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	<p>for LFAS providers due to MCAP variability under the proposed framework.</p> <ul style="list-style-type: none"> <li>• It was noted that issues raised by members had been raised previously in responses to System Management's request for Expressions of Interest for Load Following in December 2009 and that these issues had not been taken into account in the proposal.</li> <li>• There was some discussion around the reasons for the restrictions on LFAS offers contained in the proposal, and whether these restrictions would prevent Market Participants from making offers to provide LFAS.</li> <li>• The urgency of the proposal from a system security viewpoint was questioned. There was some discussion about the implementation timetable for the Collgar wind farm, its impact on the Load Following requirement and Verve Energy's ability to meet this requirement. Verve Energy advised that it was able to supply 100MW of Load Following if required.</li> <li>• There was some discussion about the economic drivers for implementation of competitive procurement of LFAS.</li> <li>• It was agreed that the proposals for competitive Balancing and LFAS provision should not be developed in Isolation, given their interdependencies and the potential IT cost implications. There was general agreement that a holistic solution was preferable to a quick solution for LFAS that may not align with the Balancing solution proposed by the RDIWG.</li> </ul> <p><i>Action Point: Verve Energy and System Management to confirm that there are no Power System Security issues with Verve Energy supplying up to 100MW of Load Following service.</i></p> <p><i>Action Point: The IMO to work with System Management and potential providers of Load Following Ancillary Services (LFAS) to develop a set of principles for the provision of competitive LFAS that addresses the issues raised by RDIWG members, for presentation to the RDIWG at the 14 December 2010 meeting with the view to delivering solutions at a later meeting.</i></p>	<p><b>IMO</b></p> <p><b>IMO</b></p>
<p><b>5</b></p>	<p><b>RESERVE CAPACITY REFUNDS</b></p> <p>Mr Troy Forward noted that work on a solution paper for the implementation of a more dynamic Capacity Cost Refund mechanism was underway, and that the paper would be distributed to RDIWG members prior to its discussion at the 14 December 2010 meeting. It was agreed that the paper should be circulated before the meeting to allow members adequate time for its consideration.</p> <p><i>Action Point: The IMO to distribute a solution paper for the implementation of a more dynamic Capacity Cost Refund mechanism to RDIWG members, in time to allow consideration prior to discussion of the paper at the 14 December 2010 RDIWG meeting.</i></p>	<p><b>IMO</b></p>



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	<p>Mr Kelloway gave a presentation on the current process for the dispatch of Verve Energy facilities by System Management (Action Point 35). An updated version of the presentation is attached as Appendix 3.</p> <p>It was questioned whether the new system tools proposed for System Management would help support an eventual move by Verve Energy towards facility based bidding for some of its facilities.</p> <p><i>Action Point: The IMO and System Management to discuss System Management's dispatch system and whether it is able to accommodate future enhancements.</i></p>	<b>IMO/SM</b>
<b>9</b>	<p><b>NEXT MEETING</b></p> <p>Meeting No. 7 will be held on Tuesday 14 December 2010 (9.30am-1.00pm).</p>	
<b>10</b>	<p><b>CLOSED:</b> The Chair declared the meeting closed at 12.38pm.</p>	