

Independent Market Operator

Rules Development Implementation Working Group

Minutes

Meeting No.	7
Location:	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
Date:	Tuesday 14 December 2010
Time:	Commencing at 9.33am to 12.36pm

Attendees	
Allan Dawson	IMO (Chair)
John Rhodes	Market Customer
Corey Dykstra	Market Customer
Steve Gould	Market Customer
Patrick Peake	Market Customer
Andrew Everett	Market Generator
Shane Cremin	Market Generator
Andrew Sutherland	Market Generator
Phil Kelloway	System Management
Paul Hynch	Office of Energy
Chris Brown	ERA
Jacinda Papps	Minutes
Jim Truesdale	Presenter
Greg Thorpe	Presenter
Ben Williams	Presenter
Troy Forward	Observer
Douglas Birnie	Observer
Adam Lourey	Observer

Item	Subject	Action
1.	WELCOME AND APOLOGIES / ATTENDANCE The Chair opened the 7th meeting of the Rules Development Implementation Working Group (RDIWG) at 9.33am. The Chair welcomed Mr Adam Lourey as an observer to the meeting.	
2.	PREVIOUS MEETING'S MINUTES The minutes of RDIWG Meeting No. 6, held on 23 November 2010, were circulated prior to the meeting.	

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	<p>The first bullet point on page 4, section 3 was discussed, with two members raising concerns. It was agreed that the IMO would consider the comments and revert with revisions. The following amendments are suggested:</p> <p><u>Page 4: Section 3: Balancing Provision Options</u></p> <ul style="list-style-type: none"> • The following points were discussed. <ul style="list-style-type: none"> ○ 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 <u>also</u> acknowledged the recommendation direction of the Market Advisory Committee (MAC) that initial development work <u>for the Market Evolution Program, including options to increase participation in the provision of balancing services</u>, should assume the retention of the current hybrid market design (with retention of the relationship between System Management and Verve Energy), evolving this design as far as practicable, prior to considering exploration of further market design options. <p>In addition to this, the following amendments were agreed during the meeting:</p> <p><u>Page 6: Section 4: Ancillary Services Procurement</u></p> <ul style="list-style-type: none"> • It was agreed that the proposals for competitive Balancing and LFAS provision should be developed together as a package <u>should not be developed in isolation</u>, given their interdependencies and the potential IT cost implications. <p><u>Page 7: Section 6: STEM timing and related issues</u></p> <ul style="list-style-type: none"> • RDIWG members agreed that, <u>based on the information available to them</u>, there would appear to be insufficient benefits <u>compared with costs</u> to warrant a move in the Scheduling Day timeline... <p><i>Action Point: The IMO to amend the minutes of Meeting No. 6 to reflect the points raised by the RDIWG and publish on the website as final.</i></p>	IMO
3	<p>RESERVE CAPACITY REFUNDS</p> <p>Mr Ben Williams gave a presentation highlighting key aspects of the “Review of Capacity Cost Refunds” paper distributed to RDIWG members in the papers for this meeting. The presentation is attached as Appendix 1.</p> <ul style="list-style-type: none"> • There was general discussion on whether capacity refunds drive maintenance behaviour, with divergent opinions from members. These opinions ranged from refunds not influencing O&M schedules for some participants to refunds, and having to report Forced Outages to member’s Boards, providing strong incentives. • The Chair noted that there has been recent evidence from one market participant where long term maintenance programmes have not been upheld, and that the participant concerned cited 	

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	<p>that refunds drove its rectification programme.</p> <ul style="list-style-type: none"> • There was discussion on the current static determination of risk, i.e. risk is higher in the Hot Season and lower in the Cold Season and overnight. It was noted that actual risk is dependent on not just the seasonal and peak/off-peak factors, but also everything else that is happening on the system at the same time. It was noted that the shoulder periods (or when the factor of 4 is applied) seem to be the periods of greater risk, as reserve is tighter during these times. • The RDIWG discussed what the current maximum factor should be. Opinions on this varied also. Some members considered that the current factor of 6 should be retained (as any increase from this would significantly affect economic profiles of some plants) while other members considered that the maximum factor should increase. • One member noted a concern that the paper did not consider that the factor of 6 is multiplied by the Maximum Reserve Capacity Price (MRCP), a figure that has increased substantially over the past few years. The Chair noted that a paper on the review of the RCM was on the agenda for the December MAC meeting. • The RDIWG discussed whether the paper covered all the issues and noted that: <ul style="list-style-type: none"> ○ The delivery risk of new plant is a separate issue and should not be included in the paper; and ○ The paper would be expanded to cover the use of a consolidated fund for refunds for the purposes of Supplementary Reserve Capacity. <p><i>Action Point: The IMO to expand the Reserve Capacity refunds paper to cover the use of a consolidated fund for refunds for the purposes of Supplementary Reserve Capacity.</i></p> <ul style="list-style-type: none"> • Some members noted that if aging facilities experience increasing Planned Outages, then these facilities should be penalised. The IMO noted that it takes into account Planned Outage rates when determining the amount of certified Reserve Capacity each year, additionally, if fleet performance is low, the IMO can direct a participant to log Forced Outages instead of Planned Outages. • It was noted that currently a facility can be cleared in STEM at below its level of minimum generation, and suggested that, until this issue is resolved, refunds be removed for these instances. • The RDIWG discussed whether there would be any potential for gaming with regard to relaxing the automatic refund regime for minor variations away from resource plans. It was noted that the compliance and monitoring regime will be increased. It was noted that the increased compliance/monitoring regime would amount to an additional 1 – 2 analysts at the IMO. <p>The RDIWG:</p>	

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	<ul style="list-style-type: none"> • Endorsed, in principle, the amendment of the capacity refund regime to a dynamically calculated refund factor based on actual reserve and a series of breakpoints; • Noted that further work on the maximum refund factor is required, including analysis of refunds versus Forced Outage rates versus deviations; • Endorsed the concept regarding participant's exposure to refunds of moving away from the automatic refunds exposure regime in the market (whereby only material (as opposed to minor) variations away from resource plans would trigger a refund obligation - with the threshold still to be determined). When developing the solution the IMO to give consideration to the issues raised in the meeting, including the: <ul style="list-style-type: none"> ○ Operational testing regime and its costs; ○ Application of commissioning; ○ Application of tolerances; and ○ Exposure to declared Forced Outages; • Noted that further work on the detail of the threshold for calling an operational test and interactions with emerging changes to Balancing and Ancillary Services will be required. 	
4	<p>UPDATE ON BALANCING PROPOSAL</p> <p>Mr Jim Truesdale outlined that the purpose of the Balancing proposal workshop, to be held after the RDIWG meeting, was to outline the concept in greater detail to participant's operational staff.</p> <p>The following points were discussed/noted:</p> <ul style="list-style-type: none"> • It was questioned why Verve Energy couldn't submit revised portfolio supply curves prior to gate closure. Mr Truesdale noted that Verve Energy gets the benefit of portfolio based bidding, and also noted the information that was presented at the previous RDIWG meeting regarding simple and complex offers. It was agreed that, in principle, Verve Energy could re-submit a portfolio supply curve for a bona fide physical/material event. It was noted that the circumstances in which Verve could resubmit would need to be fleshed out in greater detail, although it would be difficult to quantify a set of circumstances. • It was noted that there are currently two main reasons that the proposal is not recommending full facility based bidding for Verve Energy at present, these being the substantial system and resource changes which would be required to facilitate this. • It was noted that, although no firm decisions had been made, gate closure should be as late as possible to minimise the risk of events happening which may change the balancing outcomes. It was suggested that this gate closure could be a 2 – 3 hours ahead rolling gate closure, given that System Management has some flexibility with Verve Energy plant. 	

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5	<p>GENERAL BUSINESS</p> <p>There was no general business discussed.</p>	
6	<p>OUTSTANDING ACTION POINTS</p> <p>The RDIWG discussed the following action points:</p> <ul style="list-style-type: none"> • Item 11: The IMO is currently awaiting information from System Management. • Item 13: The IMO to remove this from the action point list as forecasts will be assessed as part of the Balancing work stream. • Item 19: IMO and System Management to discuss. • Item 24: The IMO to remove this from the action point list. • Item 30: Mr Thorpe and Mr Truesdale have discussed with Verve Energy, the results were reported back as part of the Balancing paper presented at meeting no. 6. Action point complete. • Item 32: Mr Peake outlined the original rationale behind the current weightings used for Capacity Cost Refunds. Action point complete. • Item 37: The IMO to remove this from the action point list. • Item 42: The IMO site visits are underway. • Item 43: The IMO is awaiting its formal accounting advice. • Item 46: The IMO has initiated its work on the high level cost benefit analysis for the proposed Balancing provision solution. • Item 47: It was noted that there will be no Power System Security issues with Verve Energy supplying up to 100MW of Load Following Service after its HEGTs are commissioned. However, there may be an issue if Collgar were to complete its commissioning in the near future. It was noted that Collgar has indicated, on its website, that commissioning will be completed in April 2012. • Item 48: Underway. • Items 51/52: Outstanding. 	
7	<p>NEXT MEETING</p> <p>It was agreed that the 18 January 2011 meeting be cancelled.</p> <p>Meeting No. 7 will be held on Tuesday 1 February 2011 (9.30am-2.00pm).</p>	
10	<p>CLOSED: The Chair declared the meeting closed at 12.36pm.</p>	