

Independent Market Operator

IMO PROCEDURE CHANGE AND DEVELOPMENT GROUP

Minutes

Meeting No.	6
Location:	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
Date:	Tuesday 28 July 2010
Time:	Commencing at 3:00 to 4:45pm

Attendees		
Jacinda Papps	Independent Market Operator (IMO)	Chair
Steve Gould	Landfill Gas & Power (LGP)	Industry Representative
Alistair Butcher	System Management	System Management Representative (3:00-4.00pm)
John Rhodes	Synergy	Synergy Representative
Wendy Ng	Verve Energy	Verve Energy Representative
Corey Dykstra	Alinta	Industry Representative (3:10pm onwards)
Michael Frost	Perth Energy	Industry Representative (3:10pm onwards)
Fiona Edmonds	IMO	IMO Representative/Minutes

Others in attendance		
Grace Tan	System Management	
Barbara Sole	IMO	Presenter (3.10-4.00pm)
Greg Ruthven	IMO	Presenter (4.00-4.20pm)

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the 6th meeting of the IMO Procedure Change and Development Working Group (Working Group) at 3:00pm.</p> <p>The Chair welcomed Grace Tan from System Management, noting that she will be the replacement member for Alistair Butcher.</p> <p>The Chair noted that the structure of the meeting would differ from previous meetings as a result of the IMO having embarked on its Market Procedure Programme. Additionally, the Chair noted that it had received a request that the Monitoring Protocol (Agenda Item 7) be discussed earlier in the meeting. The IMO provided Working Group members with a copy of the revised agenda.</p>	
2.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes from Meeting 5 of the Working Group, held on 22 April 2010, were circulated prior to this meeting.</p> <p>The minutes were accepted by Working Group members as a true and accurate record of the previous meeting.</p> <p><i>Action Point: The IMO to publish the minutes of Meeting 5 on the Website.</i></p>	IMO
3.	<p>ACTIONS ARISING</p> <p>The actions arising were either complete or on the meeting agenda. The following exceptions were noted:</p> <p>Market Procedure for Supplementary Reserve Capacity (SRC):</p> <ul style="list-style-type: none"> • Item 14: The IMO to investigate whether Eligible Services would be included in the Dispatch Merit Order (DMO) or whether a separate SRC merit order would be provided. <p>The IMO stated that the intent is for Eligible Services to be included on the DMO and noted that currently this is being confirmed as occurring in the IMO systems. The IMO noted that System Management will be provided with the conclusions from the investigation to allow them to ensure that their systems would allow for SRC to be included on the DMO.</p> <p>Market Procedure for Undertaking the LT PASA:</p> <ul style="list-style-type: none"> • Item 34: The IMO to consider defining the definition of Long duration outage: <p>The IMO noted that it has requested McLennan Magasanik and Associates (MMA) to develop an appropriate definition for Long duration outages. The IMO stated that this work is currently underway.</p>	

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	<p>Market Procedure for Certification of Reserve Capacity</p> <ul style="list-style-type: none"> <p>Item 45: Verve Energy to consider whether interpolating points (to 0.1°C) or rounding values would be most practicable for developing a temperature dependence curve.</p> <p>The IMO noted that Verve Energy had provided it with its view that interpolating points would be more practicable. The IMO noted that it agrees with Verve's suggestion and will include this in the proposed amended Market Procedure.</p> <p>Item 46: Working Group members to consider whether use of the 0.1°C or rounding values to a higher required MW level for all temperatures is most appropriate.</p> <p>The IMO noted that it has received no further comments from Working Group members.</p> <p>Item 56: The IMO to consider including the procedure a more general section to apply for both Certification of Reserve Capacity and ECRC and a glossary section</p> <p>The IMO noted that is has put the current updates to the Market Procedure on hold pending the completion of the 2010 Reserve Capacity certification process. The IMO noted the next version of the procedure will be presented to the Working Group for further comment.</p> <p>Item 76: The IMO to consider an appropriate alternative to the use of the VoLL from the National Electricity Market for determining the Maximum Contract Value.</p> <p>The IMO noted that is has put the current updates to the Market Procedure on hold due to the preparation of the Statement of Opportunities and pending the completion of the 2010 Reserve Capacity certification process. The IMO noted the next version of the procedure will be presented to the Working Group for further comment.</p> 	
4	<p>IMO'S MARKET PROCEDURE PROJECT</p> <p>The Chair noted that the IMO has recently embarked on a project to gradually upgrade all of its Market Procedures to be more useable, relevant and easily understood. The IMO will be progressively reviewing and updating all of its Market Procedures over the next 18 months.</p> <p>The Chair noted that the IMO was requesting the Working Group's advice on the level and extent of information that should be provided in Market Procedures. To enable this, two versions of the Monitoring Protocol had been prepared and were on the agenda for discussion (Agenda Item 4).</p> <p>LGP noted that the revised Market Procedures are a substantial improvement on the current Market Procedures.</p>	
5	<p>MONITORING PROTOCOL (PC_2010_03)</p>	

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	<p>The Chair introduced Barbara Sole from the IMO as the presenter for the proposed revisions to the Monitoring Protocol. The IMO noted that two substantive changes had been made to the Monitoring Protocol:</p> <ul style="list-style-type: none"> • An amendment to replace “Energy Review Board” with “Electricity Review Board”, consistent with the Amending Rules resulting from the Rule Change Proposal: Change of Review Board name (RC_2010_18); and • An amendment to allow for the party who alleges that there has been a breach of the Market Rules to be identified. The IMO noted, and System Management and Alinta agreed, that this would be reasonable given that System Management makes the majority of allegations due to its monitoring role. <p>The IMO also noted that two versions of the Monitoring Protocol had been presented to Working Group members for their consideration:</p> <ul style="list-style-type: none"> • a shorter condensed version that only includes the additional information required; and • the current version, that includes all relevant documentation; <p>The IMO stated that the shorter condensed version would remove the risk of inconsistency between the Market Procedure and Market Rules and stated that given the level of prescription in the Market Rules in some situations there may not be any continued need for a Market Procedure. The IMO noted that it will adopt the Working Group’s advice on which version is more practicable for future updates to Market Procedures.</p> <p>With regard to the future content of Market Procedures, the following points were noted by Working Group members</p> <ul style="list-style-type: none"> • Alinta agreed with general principle that the Market Procedures should supplement the Market Rules. Provided the Market Procedure is consistent with the requirements of the Market Rules, Alinta did not consider there would be an issue. • Alinta noted that the current Market Procedures provide a consolidated source of information for Market Participants. In response, the IMO noted that consolidated information can be provided via other means e.g. process flow diagrams. Additionally, System Management noted that it has undertaken a minimisation process for its Power System Operation Procedures (PSOP’s). • Verve Energy expressed concern with applying a shorter condensed version across all of the IMO’s Market Procedures, for example the Market Procedure for Reserve Capacity Certification. <p><i>Action Point: The IMO to identify which Market Procedures can be amended to the new shorter condensed version and provide to Working Group members for consideration.</i></p>	<p style="text-align: center;">IMO</p>

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	<ul style="list-style-type: none"> • LGP questioned how far the Market Procedures should be condensed, for example whether section 1.3 of the Monitoring Protocol is useful. In response, Alinta disagreed. System Management noted that they do not include this section in its PSOP's. • LGP also questioned whether the information in the Interpretation section is useful. The IMO agreed to rewrite this section to state that the interpretation clauses specified in the Market Rules apply equally to the Market Procedure, and include any specific additions to this section only if required by a particular Market Procedure. <p>The following additional points were raised regarding the proposed revised Monitoring Protocol:</p> <ul style="list-style-type: none"> • Section 1: LGP questioned the reference to "Monitoring Protocol" rather than "Market Procedure". The IMO confirmed that this is defined in the Market Rules but agreed to refer to "Market Procedure" to ensure consistency of language used in the other Market Procedures. • Section 2.4: The IMO questioned the need to maintain a Compliance Monitoring Register as it would naturally keep records for all of its investigations. The Working Group agreed for the IMO to remove the reference to the register from the Market Procedure. • Step 2.5.3 & 2.5.4: LGP suggested merging steps 2.5.3 and 2.5.4. The Working Group agreed. • Step 2.5.5: LGP suggested to delete step 2.5.5 as it is self evident. This was agreed by the Working Group. • Section 2.6: System Management noted that issuing a warning pre-supposes that a party is guilty. In response, the IMO noted that the additional information provided in the Market Procedures is around the time periods to issue a warning. The IMO agreed that issuing a warning seems pre-emptive, but noted that it was a requirement of the Market Rules. Alinta noted that the Retail Gas Market Rules allow for an alleged breach. The IMO noted that an allegation of a breach of the Market Rules would come at the end of the investigation. • Step 2.6.4: LGP suggested that the IMO should refer to the Market Procedure for Notices and Communications. • Appendix A: System Management requested clarification of the "Proposed monitoring" column. In response, the Chair noted that Market Rules require a process for monitoring any alleged breaches be provided. Alinta suggested that the column should just refer to either the IMO or System Management and not provided details of how it is monitored. The IMO agreed to undertake a thorough review of descriptions provided in Appendix A. 	

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	<ul style="list-style-type: none"> • Appendix A: LGP questioned the use of the word ‘Proposed’ in the table column ‘Proposed Monitoring’. The IMO agreed to remove “proposed”. • Appendix A: LGP queried the use of will, can, may or must in the table. The IMO agreed to consider the appropriate use of words used throughout the Market Procedure. • Appendix A: LGP noted the Market Procedure should refer to “the IMO” throughout. The IMO agreed. • Appendix A, Clause 4.10.2: System Management queried where the requirement for it to monitor fuel levels was derived. The Chair clarified that this is stated in Market Rule 2.13.9(h). System Management noted that it is infeasible for it to monitor this. The IMO agreed to amend to include “... if instructed by the IMO.” • Appendix A, Clause 6.6.3: Synergy suggested that the link to the behaviour relating to Market Power be included in the description. The IMO agreed. • Appendix A, Clause 6.7.4: Synergy suggested that the description be amended to refer to a Market Customer “significantly overstating:” its consumption. The IMO agreed. • Appendix A, Clause 6.7.4: System Management questioned whether simply stating “Monitored by the IMO” specifies how the IMO monitors this and whether this is consistent with the requirement of the Market Rules. Alinta responded that there was limited value in being prescriptive of how the IMO monitors for this. The Working Group agreed that they are not unhappy with the level of detail provided in the Market Procedure around the monitoring undertaken by the IMO. <p>The Chair questioned how System Management monitors its obligations and noted the need for consistency across both agencies Monitoring Protocols. The IMO noted that if complete details of the monitoring process are provided this would present options for a Market Participant to attempt to avoid being detected. Perth Energy noted that the process outlined in the Market Procedure should encourage good behaviour.</p> <p>The IMO noted that there are opportunities to target competitive areas, similar to the approach adopted in the Eastern States. LGP noted that it is not concerned with the current process. Synergy noted that the Market Procedure doesn’t preclude the IMO from doing more than is specified.</p> <p><i>Action Point: The IMO to request submissions on whether a targeted monitoring approach should be adopted in the Procedure Change Proposal.</i></p> <ul style="list-style-type: none"> • Appendix A, Clause 7.10.1: System Management questioned its requirement to monitor Market Participants adherence with Resource Plans, Dispatch Instructions and directions which it 	<p style="text-align: center;">IMO</p>

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	<p>has issued, as it only has access to SCADA data. The IMO has access to more reliable meter data. System Management queried whether this should be monitored by both parties. The Chair clarified that the requirement is consistent with clause 2.13.9(5) of the Market Rules, but agreed to consider this further outside the meeting.</p> <p>The following additional comments were provided by LGP:</p> <ul style="list-style-type: none"> • Step 1.1.1: The IMO to amend the “Monitoring Protocol” to be referred to as the Procedure for consistency with the other Market Procedures. • Step 1.4.2: The IMO to delete the word “to”. • Step 2.3.3: The IMO to amend “the” to “A”. • Step 2.3.6. LGP questioned whether non-compliant behaviour is a defined term. • Step 2.3.8: The IMO to amend as follows “... disclose to the Rule Participant alleged to have committed the breach...” • Step 2.5: LGP questioned the use of the word “allegation”. • Step 2.5.1: The IMO to amend “behaviour at issue” to “matter”. • Step 2.6.4: LGP suggested implementing a process where notices are issued as warnings to Rule Participants. • Section 2.9: LGP suggested defining in full “ERB”. 	
6	<p>MARKET PROCEDURE FOR THE DETERMINATION OF MRCP (PC_2010_04)</p> <p>The Chair introduced Greg Ruthven from the IMO as the presenter for the Reserve Capacity related Market Procedures.</p> <p>The IMO noted that the proposed amendments to the Market Procedure for the determination of the Maximum Reserve Capacity Price (MRCP) would reinstate the values for the Major components that were removed under PC_2009_12. The IMO noted that these values for the Major components had been used in the 2010 review of the MRCP. The IMO noted that the procedure had not been updated into the new IMO format, given the pending work of the MRCP Working Group.</p> <p>The following point was noted by the Working Group:</p> <ul style="list-style-type: none"> • Step 1.14.2: Alinta questioned whether the proposed amendment reinstates the details contained in the previous Market Procedure. Alinta noted that there are likely to be minor changes to the proposed revised values each year. The IMO agreed to delete the proposed additional words as they are not required. <p><i>Action Point: The IMO to update the proposed revised Market Procedure to include the comments of the Working Group and</i></p>	IMO

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	<p><i>progress into the Procedure Change Process.</i></p>	
7	<p>MARKET PROCEDURE FOR RESERVE CAPACITY PERFORMANCE MONITORING (PC_2010_05)</p> <p>The IMO noted that the proposed changes to the Market Procedure for Reserve Capacity Performance Monitoring (PC_2010_05) are as a result of the Amending Rules resulting from the following Rule Change Proposals:</p> <ul style="list-style-type: none"> • Changing the Window of Entry into the Reserve Capacity Mechanism (RC_2009_11); and • Reserve Capacity Performance Monitoring (RC_2009_19). <p>The IMO also noted that there will be additional changes made to the Market Procedure prior to formal submission as a result of the Amending Rules resulting from the Rule Change Proposal: Correction of Chapter 4 minor, typographical and manifest errors (RC_2010_02). The Chair also noted that the Market Procedure had been updated to reflect the IMO's new format.</p> <p><i>Action Point: The IMO to review Market Procedure to reduce unnecessary duplication of the Market Rules, consistent with shorter condensed version and submit into the formal Procedure Change Process.</i></p> <p><i>Action Point: The IMO to include specific details of the substantial changes made to the Market Procedure in the Procedure Change Proposal.</i></p> <p>The following additional comments were provided by LGP:</p> <ul style="list-style-type: none"> • Steps 2.1.4 & 2.1.5: The IMO to format the space between these steps to separate. 	<p>IMO</p> <p>IMO</p>
8	<p>MARKET PROCEDURE FOR RESERVE CAPACITY SECURITY</p> <p>The IMO noted that the intended changes to the Market Procedure for Reserve Capacity Security will allow the IMO to accept more than one Bank Undertaking. This is consistent with the outcomes of the IMO's review of the Market Rules and Market Procedures.</p> <p>LGP stated that the proposed amendments appear reasonable, but noted that it could create issues for the IMO associated with holding multiple Bank Undertakings.</p> <p>The IMO noted that the proposed amendments will need to take into account RC_2010_02 and the impacts on Early Certified Reserve Capacity. Given these additional changes are required; the IMO does not intend to put the Procedure Change Proposal into the process in the near term and would present to the Working Group prior to doing so.</p> <p>The following points were noted by Working Group members:</p> <ul style="list-style-type: none"> • Step 7.1.2 (b): Alinta suggested the clause be amended to 	

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	<p>“and/or”. The IMO agreed.</p> <ul style="list-style-type: none"> Step 7.1.2: Synergy suggested that the clause be amended to “... Combination of one or more of the forms <u>any of the</u> above, ...”. The IMO agreed. <p><i>Action Point: The IMO to make the agreed changes when revising the Market Procedure for Reserve Capacity Security.</i></p>	IMO
9	<p>MARKET PROCEDURE FOR PROCEDURE ADMINISTRATION (PC_2010_01)</p> <p>The IMO noted that it had updated the Market Procedure for Procedure Administration (PC_2010_01) to reflect the IMO’s new format. The IMO also noted the following substantive changes:</p> <ul style="list-style-type: none"> Incorporating a process diagram (step 2); Specifying that details of the changes must be tracked where possible (step 2.1.4); Incorporating details of the role of Working Group’s (step 2.2); Removing the details of the submission form from an appendix Clarifying that prior to preparing a Procedure Change Report the IMO or System Management must conduct an assessment of the proposal against the Market Objectives, Market Rules, Industry Act and Regulations (Step 2.6.2). <p>The Working Group noted the following points:</p> <ul style="list-style-type: none"> LGP suggested removing the following wording “...in which this Procedure is made in accordance with, commences.” The IMO agreed. Procedure Change Process Diagram: The IMO agreed to include the decision of when to create a Working Group in the diagram. Step 2.2.5: The IMO agreed to clarify that convening a Working Group, if decided by System Management or the IMO, refers to existing Working Groups. The decision to create a Working Group is made by the MAC. The IMO noted that current practice is for the IMO to decide if Market Procedures should go to Working Groups. The IMO agreed to include a procedure step of advising the Working Group of its, or System Managements, recommendation as to whether the Working Group should meet to discuss the proposed changes Step 2.5.1: Alinta questioned whether the Procedure Change Submission form must be used, and whether not using the form would invalidate submissions. The IMO agreed to provide an out of session clarification to Working Group members. Step 2.6.4 & 2.8.2: LGP suggested removing duplicate 	

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	<p>information contained in both steps. The IMO agreed to remove duplicate information contained in both step 2.6.4 and 2.8.2. LGP also suggested amending step 2.8.2 to refer to the IMO declining a System Management proposal rather than rejecting. The IMO noted that clause 2.10.14 of the Market Rules refers to the IMO rejecting System Management Procedure Change Proposals.</p> <p>The following additional comments were provided by LGP:</p> <ul style="list-style-type: none"> • Step 1.2.1: The IMO to consider providing a definition of Market Procedures. • Step 1.5.1(b): The IMO to delete “...to the extent of the inconsistency”. • Step 2.5.2: The IMO to delete “...for submissions.” • Section 2.7:5. The IMO to amend as follows “...through the same <u>full</u> Procedure Change Process as all other Procedure Change Proposals”. • Step 2.8.1: The IMO to delete the word “...out”. <p><i>Action Point: The IMO to make the agreed changes and submit the proposed amended Market Procedure into the formal Procedure Change Process.</i></p>	IMO
10	<p>MARKET PROCEDURE FOR NOTICES AND COMMUNICATIONS (PC_2010_02)</p> <p>The IMO noted that the proposed amended Market Procedure for Notices and Communications (PC_2010_02) has been updated to reflect the IMO’s new format and include the specific email addresses for each of the IMO teams.</p> <p>The following points were raised by Working Group members:</p> <ul style="list-style-type: none"> • Step 1.5: Verve Energy questioned whether the specified Business Hours were seven days a week. The IMO agreed to clarify that the Business Hours are Monday to Friday. • Step 2.1.1 & 2.2.1: LGP suggested the steps be updated to consistently refer to “... properly provided using the ...” The IMO agreed. <p><i>Action Point: The IMO to make the agreed changes and submit the proposed amended Market Procedure into the formal Procedure Change Process.</i></p>	IMO
11	<p>GENERAL BUSINESS</p> <p><u>Working Group minutes</u></p> <p>The Chair questioned whether the Working Group wanted to follow the Market Advisory Committee’s recommendation of using individual member’s names in the minutes. The Working Group agreed that it was appropriate to use the entity names.</p>	

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	<p data-bbox="418 149 971 180"><u>Progression of Procedure Change Proposals</u></p> <p data-bbox="418 212 1224 432">The Chair questioned whether the Working Group would prefer a staggered or blocked approach to progressing the Procedure Change Proposals discussed at today's meeting. Alinta suggested that it would be appropriate to bundle the papers for PC_2010_01 and PC_2010_02. Alinta noted that PC_2010_04 should be independently progressed. The IMO agreed with this approach.</p>	
12	<p data-bbox="418 449 630 480">NEXT MEETING</p> <p data-bbox="418 512 1224 575">The Chair noted that the next Working Group meeting will be held on Tuesday 28 September (3:00-5:00pm)</p>	
13	<p data-bbox="418 606 537 638">CLOSED</p> <p data-bbox="418 669 971 701">The Chair thanked all members for attending.</p> <p data-bbox="418 732 1040 764">The Chair declared the meeting closed at 4.45 pm.</p>	<p data-bbox="1305 659 1377 690">Chair</p>