



## Minutes

<b>MEETING TITLE</b>	Market Advisory Committee
<b>MEETING NO</b>	86
<b>DATE</b>	Wednesday 11 November 2015
<b>TIME</b>	2:00 PM – 2:50 PM
<b>LOCATION</b>	Level 17, IMO Board Room, 197 St Georges Terrace, Perth

Attendees	Class	Comment
Martin Maticka	Chair	Proxy
Erin Stone	Compulsory – IMO	
Dean Sharafi	Compulsory – System Management	
Neil Gibbney	Compulsory – Western Power	Proxy
Will Bargmann	Compulsory – Synergy	
Andrew Stevens	Compulsory – Generator	
Wendy Ng	Compulsory – Generator	
Geoff Gaston	Compulsory – Customer	
Richard Wilson	Compulsory – Customer	Proxy
Peter Huxtable	Discretionary – Contestable Customer	
Simon Middleton	Minister's Appointee – Observer	
Ray Challen	Minister's Appointee – Small Use Consumer Representative	
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	

Apologies	Class	Comment
Allan Dawson	Chair	Proxy attended
Matthew Cronin	Compulsory – Western Power	Proxy attended
Shane Cremin	Compulsory – Generator	
Michael Zammit	Compulsory – Customer	Proxy attended
Steve Gould	Compulsory – Customer	

Also in attendance	From	Comment
John Rhodes	Alinta Energy	Observer
Ignatius Chin	Bluewaters Power	Observer
Courtney Wall	Western Power	Observer
Caroline Cherry	IMO	Observer and Minutes

Item	Subject	Action
1.	<p><b>Welcome</b></p> <p>The Chair opened the meeting at 2:00 PM and welcomed all members to the 86<sup>th</sup> meeting of the Market Advisory Committee (MAC).</p>	
2.	<p><b>Meeting apologies/attendance</b></p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> <li>• Allan Dawson</li> <li>• Matthew Cronin</li> <li>• Shane Cremin</li> <li>• Michael Zammit</li> <li>• Steve Gould</li> </ul> <p>The following proxies were noted:</p> <ul style="list-style-type: none"> <li>• Martin Maticka</li> <li>• Neil Gibbney</li> <li>• Richard Wilson</li> </ul> <p>The following presenters/observers were noted:</p> <ul style="list-style-type: none"> <li>• John Rhodes (Observer – Alinta Energy)</li> <li>• Ignatius Chin (Observer – Bluewaters Power)</li> <li>• Courtney Wall (Observer – Western Power)</li> <li>• Caroline Cherry (Observer and Minutes – IMO)</li> </ul>	
3.	<p><b>Minutes of previous meeting</b></p> <p>The minutes of meeting No 85 held on 14 October 2015 were circulated to members prior to the meeting.</p> <p>Mr Will Bargmann noted that there was reference to an east coast Network Control Service (NCS) contract which was factually incorrect as there were no east coast NCS contracts. The Chair responded that the IMO would review the reference and amend the minutes if required, but noted that if the reference correctly reflected what occurred in the meeting the minutes would be taken as a true record of the meeting and published on the Market Web Site.</p> <p><i>Action Point: The IMO to review the relevant reference and amend the minutes if necessary.</i></p> <p><i>Action Point: The IMO to publish the minutes as final on the Market Web Site.</i></p>	<p><b>IMO</b></p> <p><b>IMO</b></p>

<p>4.</p>	<p><b>Actions arising</b></p> <p>The Chair invited Ms Erin Stone to update the MAC on the actions. Ms Stone took the completed actions as read and noted the following updates:</p> <ul style="list-style-type: none"> <li>• <b>Actions 47, 9 and 15</b> related to progressing Rule Change Proposals and have therefore been deferred.</li> </ul> <p>Mr Simon Middleton queried whether a rule change proponent could withdraw a Rule Change Proposal. Ms Stone responded that they could, and noted that the IMO Board had decided that all of the Rule Change Proposals that had been deferred were useful and at this stage would not be withdrawn. Ms Stone noted the Minister had requested the IMO Board to consider deferring all rule changes and that was what had occurred.</p> <p>Mr Bargmann queried who would make decisions on the deferred Rule Change Proposals in the future. Ms Stone responded that the Rule Change Assessment Panel (RCAP), when it was established, would take over the decision-making functions and noted that the IMO Board were planning to provide a package of information to the RCAP at that stage.</p> <ul style="list-style-type: none"> <li>• <b>Action 28</b> related to the deferral of the five-yearly reviews and remained open. Ms Stone noted that the Australian Energy Market Operator (AEMO) was considering its position on the reviews as part of the Electricity Market Review (EMR) process.</li> </ul>	
<p>5.</p>	<p><b>Discussion: Progression of Rule Change Proposals</b></p> <p>Ms Stone noted the IMO Board agreed to the deferral of the remaining three Draft Rule Change Reports until 31 December 2015:</p> <ul style="list-style-type: none"> <li>• Rule Change Proposal: Outage Planning Phase 2 – Outage Process Refinements (RC_2013_15);</li> <li>• Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC_2014_06); and</li> <li>• Rule Change Proposal: Managing Market Information (RC_2014_09).</li> </ul>	
<p>6.</p>	<p><b>Discussion: Electricity Market Review update</b></p> <p>The Chair invited Mr Middleton to provide an update on the EMR. The following points were noted:</p> <ul style="list-style-type: none"> <li>• Mr Middleton noted that a position paper on the RCAP was to be released soon and that it would propose to establish an independent decision making panel, with secretariat services provided by either the ERA or a new independent statutory entity. Mr Middleton noted that staff associated with those functions remaining with the IMO would be transferred to the organisation that was selected as the new rule change secretariat. The Chair queried the length of the consultation period for the position paper. Mr Middleton responded it would be a two week consultation.</li> <li>• Mr Middleton noted that a position paper on changes to the Reserve Capacity Mechanism (RCM) was intended to be released at the end of November 2015, and would cover all aspects of the RCM design. Mr Andrew Stevens queried whether the Program Management Office (PMO) was seeking feedback on the paper or whether it was for</li> </ul>	

information only. Dr Ray Challen responded that the paper would provide a clear position and that feedback was sought on that position.

- Mr Middleton noted that consultation on the RCM position paper would be open for two months. Ms Stone queried whether the timing would preclude the rule changes to apply in the transitional period from being in effect for the 2015 Reserve Capacity Cycle. Mr Middleton responded that the aim was to have the rule changes in place by early May 2016 to apply to the 2015 cycle.
- Ms Stone queried whether the timing for the RCM rule changes would preclude using the Standard Rule Change Process, resulting in limited consultation. Mr Middleton responded that consultation would be conducted through the position paper process and that a truncated rule change process consultation would occur.
- Mr Dean Sharafi queried whether the PMO was considering treating capacity differently based on availability and location. Mr Middleton responded that the RCM reforms would be supported by complimentary reforms to the availability provisions for capacity and the capacity refund mechanism.
- Mr Geoff Gaston queried whether the proposed capacity mechanism would be bespoke or adapted from other capacity markets. Dr Challen responded that the PMO was using the experience from other capacity markets and was looking to make the auction a simple design with a simple price and demand curve.
- Dr Challen further noted that the most contentious aspect of the RCM reforms would be the transition pricing curve, and that complexities arose in relation to market power, obligations on capacity providers to offer into the market, and the relationship between the auction and bilateral capacity contracts.
- Mr Middleton noted that the PMO was planning to release a position paper on the Energy Market Operations and Processes Project in February 2016, and an implementation plan in April 2016. Mr Middleton noted that it would be logical to adopt the National Electricity Market (NEM) arrangements in relation to energy market operations and processes unless there were good reasons why those arrangements would not work in the WA market.
- Mr Sharafi queried whether the market design would be known by April 2016 given that System Management would need time to put the tools in place to manage a constrained dispatch from 1 July 2018. Mr Middleton responded that discussions would take place with AEMO to address those matters. Mr Stevens queried whether implementing the tools would take two years given that many of the systems could be copied from the NEM. Mr Sharafi responded that he was not sure to what extent the NEM tools could be used given that the Wholesale Electricity Market was very different to the NEM.
- Ms Stone noted that the RCM paper was only one aspect of the market design and would have to be considered in relation to the changes being proposed for the energy and ancillary services markets. Ms Stone further noted that that meaningful consultation on the proposed changes to the RCM could be difficult without also setting out the intentions for energy and ancillary services.

- Ms Stone queried whether the PMO intended to release a paper on the overall design of the market. Mr Middleton responded that it did not, but the linkages would be noted in the RCM paper there was acknowledgment from stakeholders that the RCM design needed to be changed. Mr Middleton further responded that the Energy Market Operations and Processes project would consider such matters as the role of the Short Term Energy Market and how it could be reformed; the role of a co-optimised ancillary service framework; and facility bidding, and that energy caps would be considered once there was clarity around the RCM design.
- Mr Ignatius Chin queried whether the PMO planned to address existing unconstrained access rights as part of the EMR. Mr Middleton responded that work was being undertaken through the Network Regulation project. Mr Neil Gibbney queried what would happen to the existing rights of generators, noting that those were contractual arrangements. Mr Middleton responded that the national framework would apply and that how the existing obligations were dealt with was a matter of detail and yet to be determined. Mr Chin queried whether generators would lose their unconstrained access rights. Mr Middleton responded that they would. Ms Wendy Ng queried when stakeholders would be able to see details of those arrangements. Mr Middleton responded that details would be released prior to June 2016.
- Mr Richard Wilson queried whether the PMO had a priority listing for drafting of necessary legislation by the Parliamentary Counsel's Office. Mr Middleton responded that they had received commitment that drafting related to the EMR would be prioritised.
- Mr Middleton noted that the Network Regulation project team were considering the treatment of the 'gap year' for the regulation of Western Power, and that the PMO were working on the necessary derogations from the National Electricity Rules.
- Mr Middleton noted that work on full retail contestability was focusing on retail price regulation and customer protection, with a conceptual design expected by the end of the year and consultation to occur in early 2016, with implementation by the end of 2016.
- Mr Middleton noted, in relation to changes to the Wholesale Electricity Market Rules required to progress the EMR reform agenda, that the Minister would have the power to make rule changes, and that while there would still be consultation, it would not be progressed through the normal rule change process. Mr John Rhodes queried whether the Minister's rule change power would be constrained when the RCAP was established. Mr Middleton responded that there was a sunset clause on that power.
- Mr Stevens queried when non-EMR related rule changes would resume. Mr Middleton responded that it would probably occur in late 2016. Mr Stevens noted that the Rule Change Proposals that were deferred until 31 December 2015, were useful and the work undertaken by the IMO and Market Participants should not be lost. The Chair asked whether manifest errors would still be progressed. Mr Middleton responded that the IMO Board could still progress Rule Change Proposals in consultation with the EMR Steering Committee and Minister if required.

	<ul style="list-style-type: none"> <li>• Dr Challen requested that the Chair provide an update on the transition of market operation functions from the IMO to AEMO. The Chair noted that the IMO held a stakeholder information session on 6 November 2015. The Chair further noted that there would be no fundamental IT system changes required for Market Participants, and that the most important changes related to prudential security.</li> <li>• The Chair noted that on 13 November 2015, a Market Participant trial would be undertaken that would simulate market operation functions under AEMO, and would also simulate settlement through Austraclear. The Chair further noted that the timing of the trial would allow for any changes to the processes or for a retrial to occur if necessary.</li> <li>• Ms Stone noted that the Market Web Site and Market Procedures were currently being rebranded and would go live on 30 November 2015. Ms Stone further noted that the IMO was liaising with the PMO on the rule changes to effect the transfer of the IMO's market operation functions to AEMO. The Chair noted that from 30 November 2015 Market Participants would be receiving notices from AEMO email addresses but that the Market Operations phone number would remain the same.</li> <li>• Mr Chin queried what would happen to the MAC. Dr Challen responded that administration of the MAC would remain with the IMO.</li> </ul>	
7.	<p><b>Working Groups update</b></p> <p>Ms Stone noted that there were no changes to the membership of the Working Groups and no meetings had taken place.</p>	
8.	<p><b>General business</b></p> <ul style="list-style-type: none"> <li>• Ms Stone noted that the IMO was beginning the process for the 2015 MAC Annual Review and that the positions up for renewal were those held by Mr Stevens and Mr Steve Gould.</li> <li>• Mr Chin queried whether the Reliability Panel would be part of the MAC. Mr Middleton responded that it had not yet been determined.</li> <li>• Ms Ng queried whether the Reserve Capacity Cycle held in 2016 would cover both the 2015 and 2016 cycles. Dr Challen responded that it had not been determined.</li> <li>• Mr Middleton noted that the PMO was holding an industry briefing forum on 8 December 2015 and requested MAC members to email the PMO if they wished to attend.</li> </ul>	
9.	<p><b>Next meeting</b></p> <p>The next meeting will be held on Wednesday 2 December 2015.</p>	
10.	<p><b>Close</b></p> <p>The Chair declared the meeting closed at 2:50 PM.</p>	