



INDEPENDENT  
MARKET  
OPERATOR

## Market Advisory Committee

### Minutes

<b>Meeting No.</b>	69
<b>Location</b>	IMO Board Room Level 17, 197 St Georges Terrace, Perth
<b>Date</b>	Wednesday 19 March 2014
<b>Time</b>	2:00 PM – 5:10 PM

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Allan Dawson	Chair	
Kate Ryan	Compulsory – IMO	
Dean Sharafi	Compulsory – System Management	Proxy
Dean Frost	Compulsory – Western Power	Proxy
Will Bargmann	Compulsory – Synergy	
Shane Cremin	Discretionary – Generator	
Andrew Stevens	Discretionary – Generator	
Andrew Sutherland	Discretionary – Generator	
Michael Zammit	Discretionary – Customer	
Steve Gould	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Paul Hynch	Small Use Consumers' Representative	Proxy
Simon Middleton	Minister's appointee – Observer	Proxy
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	
<b>Apologies</b>	<b>From</b>	<b>Comment</b>
Geoff Gaston	Discretionary – Customer	
Shane Duryea	Compulsory – Western Power	
Andrew Everett	Compulsory – Generator	
Noel Ryan	Compulsory – Western Power	
Nerea Ugarte	Small Use Consumers' Representative	
<b>Also in attendance</b>	<b>From</b>	<b>Comment</b>
Phil Kelloway	System Management	Observer

Mike Davidson	System Management	Observer
Matthew Cronin	Western Power	Observer
Jacinda Papps	Synergy	Observer
Chris Campbell	Alinta Energy	Observer
Fiona Edmonds	Alinta Energy	Observer
Rob Rohrlach	Amanda Australia	Observer
Paul Troughton	EnerNOC	Observer
Richard Wilson	EnerNOC	Observer
Paul Gower	Vinalco	Observer
Erin Stone	IMO	Presenter
Jenny Laidlaw	IMO	Presenter
Martin Maticka	IMO	Presenter
Paul Tetley	IMO	Presenter
Greg Ruthven	IMO	Observer
Bryn Garrod	IMO	Observer
George Sproule	IMO	Observer
Courtney Roberts	IMO	Observer
Aditi Varma	IMO	Observer & Minutes

Item	Subject	Action
1.	<p><b>WELCOME</b></p> <p>The Chair opened the meeting at 2:00 PM and welcomed incoming members to the 69th meeting of the Market Advisory Committee (MAC). The Chair also thanked outgoing MAC members for their contribution.</p>	
2.	<p><b>MEETING APOLOGIES / ATTENDANCE</b></p> <p>The following <b>apologies</b> were received:</p> <ul style="list-style-type: none"> <li>• Noel Ryan (Compulsory – Network Operator)</li> <li>• Shane Duryea (Compulsory – Network Operator)</li> <li>• Andrew Everett (Compulsory – Generator)</li> <li>• Geoff Gaston (Discretionary – Customer)</li> <li>• Nerea Ugarte (Small Use Consumers' Representative)</li> </ul> <p>The following <b>proxies</b> were noted:</p> <ul style="list-style-type: none"> <li>• Dean Sharafi for Phil Kelloway (Compulsory – System Management)</li> <li>• Dean Frost for Shane Duryea (Compulsory – Network Operator)</li> <li>• Simon Middleton (Proxy, Minister's appointee – Observer)</li> <li>• Paul Hynch for Nerea Ugarte (Small Use Consumers' Representative)</li> </ul> <p>The following <b>presenters</b> and <b>observers</b> were noted:</p> <ul style="list-style-type: none"> <li>• Erin Stone (Presenter, IMO)</li> <li>• Jenny Laidlaw (Presenter, IMO)</li> <li>• Martin Maticka (Presenter, IMO)</li> <li>• Paul Tetley (Presenter, IMO)</li> </ul>	

	<ul style="list-style-type: none"> <li>• Phil Kelloway (Observer, System Management)</li> <li>• Mike Davidson (Observer, System Management)</li> <li>• Matthew Cronin (Observer, Network Operator)</li> <li>• Chris Campbell (Observer, Alinta Energy)</li> <li>• Fiona Edmonds (Observer, Alinta Energy)</li> <li>• Rob Rohrlach (Observer, Amanda Australia)</li> <li>• Paul Troughton (Observer, EnerNOC)</li> <li>• Richard Wilson (Observer, EnerNOC)</li> <li>• Paul Gower (Observer, Vinalco)</li> <li>• Greg Ruthven (Observer, IMO)</li> <li>• Bryn Garrod (Observer, IMO)</li> <li>• George Sproule (Observer, IMO)</li> <li>• Courtney Roberts (Observer, IMO)</li> <li>• Aditi Varma (Observer and Minutes, IMO)</li> </ul>	
<p><b>3.</b></p>	<p><b>MINUTES OF PREVIOUS MEETING</b></p> <p>The minutes of MAC Meeting No. 67, held on 11 December 2013, were circulated to members prior to the meeting.</p> <p>The following amendments were agreed:</p> <p><b>Section 5: page 6 of 16</b></p> <ul style="list-style-type: none"> <li>• Mr Everett considered that the changes appeared logical and from a market perspective saw no problems with the proposal <u>being presented and considered by MAC</u>. Mr Everett considered the fundamental issue was that a credible business case needed to be presented for the change.</li> <li>• Mr Everett noted that Verve Energy’s position was that if it was determined that Verve Energy did not have market power that needed to be <del>vetted</del><u>vetted</u> then that would be an appropriate time for it to move to facility based bidding so that it could, for example, bid capacity out of the market like other generators can do.</li> </ul> <p><b>Section 6c: page 13 of 16</b></p> <ul style="list-style-type: none"> <li>• Mr Gaston further questioned if analysis had been done on how often the inflection point for the maximum refund factor (750 MW) would apply. The Chair noted that this depended on the quantity of available capacity in any Trading Interval and would change as the excess capacity in the market started to decrease. Mr Cremin observed that this situation was akin to the next Rule Change Proposal (<u>incentivising early entry for Reserve Capacity</u>) which <u>was proposed at a time of scarce Reserve Capacity but that incentivising early entry for Reserve Capacity was not relevant anymore – now of limited relevance in the current situation of excess capacity.</u></li> </ul> <p><i>Action Point: The IMO to amend the minutes of Meeting No. 67 to reflect the agreed changes and publish on the Market Web Site as final.</i></p>	<p><b>IMO</b></p>
<p><b>4.</b></p>	<p><b>ACTIONS ARISING</b></p> <p>The Chair invited Ms Kate Ryan to update the MAC on the current action items. The following points were noted:</p> <ul style="list-style-type: none"> <li>• <b>Item 43:</b> Ms Ryan noted that this item on licensing arrangements for</li> </ul>	

	<p>Demand Side Management (DSM) aggregators was included in the agenda under general business.</p> <ul style="list-style-type: none"> <li>• <b>Item 59:</b> Mr Dean Sharafi noted that System Management processed three months of data prior December 2013 and did not come across any situations where Market Participants changed their Balancing Submissions close to gate closure. The Chair noted that this suggested that the difficulties System Management may face in maintaining power system security if Balancing Gate Closure was reduced to 30 minutes may be minimal.</li> <li>• <b>Item 66:</b> Mr Dean Frost noted that the ERA had the public liability insurance amounts approved in the three Access Arrangements. However, Western Power welcomed queries from any Electricity Transfer Access Contract (ETAC) customer on this value. He further added that Western Power would individually negotiate on these values with its customers. Dr Steve Gould also noted his impending meeting with Western Power on this matter. It was decided that this action item remain open until further notice.</li> </ul> <p><i>Action Point: The IMO to amend the action items to reflect the updates discussed at the meeting.</i></p>	<b>IMO</b>
<p><b>5a.</b></p>	<p><b>MARKET RULE CHANGE OVERVIEW</b></p> <p>Ms Ryan informed the MAC that in addition to the summary of current Rule Change Proposals provided in the meeting papers, the IMO would provide further detail on the upcoming work program at the next MAC meeting.</p>	
<p><b>5b.</b></p>	<p><b>PRC_2013_16: Outages and the Application of Availability and Constraint Payments to Non-Scheduled Generators</b></p> <p>The Chair invited Ms Erin Stone to present on this agenda item. Ms Stone noted that this Rule Change Proposal had been discussed by the MAC previously but had been revised in two key areas; the definition of an Outage and the calculations underpinning constrained on and off payments. Ms Stone asked for comments and questions on the revised proposal. The following key points were noted:</p> <ul style="list-style-type: none"> <li>• Mr Andrew Sutherland reiterated his concern that the definition of an Outage had been included in a Rule Change Proposal primarily about constraint payments. Ms Stone noted that one of the issues that this Rule Change Proposal aims to fix includes where Market Participants are paid constrained off payments as a result of not logging an Outage. This payment is then removed at a later date, incurring compliance and administrative costs for the IMO and the Market Participant. Ms Stone noted that the proposed amendments would automatically remove this payment when it was not warranted.</li> <li>• Mr Sutherland noted that his primary concern was around the practical operation of the proposed amendments to the definition of a Forced Outage, particularly as it applies to starting a Facility. MAC members discussed different operational circumstances in relation to a Facility’s starting up, including whether they could be addressed through a Facility’s Tolerance Range or Minimum Generation quantity. Ms Stone noted that the IMO had attempted to address the different Outage scenarios and requested that MAC members bring to the</li> </ul>	

	<p>IMO's attention any other scenarios that are not appropriately captured in the proposed definition of an Outage.</p> <ul style="list-style-type: none"> <li>Mr Sutherland noted that he would never log a Consequential Outage in advance of it occurring. Ms Jacinda Papps said that this provision was included in the drafting at the request of Verve Energy which, on a few occasions, would have benefited from the ability to log Outages in advance. Mr Sutherland reiterated that it should not be a requirement.</li> </ul> <p>Ms Stone noted that some Intermittent Generators had expressed interest in providing input to this proposal. The Chair noted that instead of discussing the proposal further at MAC, the IMO will complete its meeting with the Intermittent Generators, resolve other outstanding issues with those members who have raised concerns and circulate the proposal prior to submitting the Rule Change Proposal into the Standard Rule Change Process.</p> <p>MAC members undertook further discussion with respect to progressing this Rule Change Proposal more broadly.</p> <ul style="list-style-type: none"> <li>Mr Will Bargmann stated that a number of issues addressed in this Rule Change Proposal would be subject to the Western Australian Electricity Market Review (Review) being undertaken by the State Government. Mr Bargmann noted that the Wholesale Market Objectives should be considered as part of the Review, and expressed concern that therefore, Rule Change Proposals such as this which reflect the objective of anti-discrimination should not be progressed on the basis that it may be removed. Mr Bargmann also noted the IMO's consideration of constrained network access arrangements in this Rule Change Proposal and suggested that the proposed amendments were pre-empting the outcomes of the Review.</li> <li>Mr Bargmann summarised his position, noting that he is uncomfortable endorsing any Rule Change Proposal that sets things in stone prior to the outcomes of the more comprehensive Review. Mr Stevens said that this would effectively prevent improvements for the next two to three years, on the basis that the market may change. Mr Simon Middleton responded that the IMO should take the Review into consideration to the extent that it may result in a shorter payback period included in the analysis of the costs and benefits of a proposed change.</li> <li>Mr Sharafi noted System Management's support of the Rule Change Proposal and that IT changes are required to facilitate the proposed amendments.</li> <li>Mr Chris Campbell agreed with Mr Bargmann's view to delay consideration of the proposed amendments that related to constrained network access arrangements including those in this Rule Change Proposal. The Chair responded clarifying that the current Market Rules exposed Market Customers to paying Market Generators constraint payments where that Market Generator has agreed commercially to accept sub-standard access to the network. MAC members agreed that this was not an optimal outcome for the market. MAC members discussed the recent change in approach by Western Power to connecting customers behind a network constraint and the IMO's ability to take the quality of a network connection into account for certification purposes. Mr Frost offered to provide an overview of the</li> </ul>	
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	<p>Network Operator’s approach to constraints on the network at the next MAC meeting.</p> <ul style="list-style-type: none"> <li>Mr Bargmann questioned the cost of the constraint payments. Ms Stone noted that the IMO has circulated the costs previously to MAC members but that they will also be included in the Rule Change Proposal. Ms Papps noted that the previously circulated information indicated that the cost was around \$500,000 per annum but did not include Market Participant costs. Ms Ryan noted that the IMO expected that costs to Market Participants to be provided through the submission period.</li> <li>Mr Bargmann also questioned the process of appeal where System Management does not approve a Consequential Outage. Ms Stone noted that the IMO was not proposing to change the current approval arrangements. Mr Bargmann acknowledged that the arrangements were not changing but questioned whether there was any ability to appeal such a decision. The Chair advised that it was at System Management’s discretion but that it was likely that such a decision could be the subject of a settlement dispute and which may ultimately be considered by the Electricity Review Board.</li> </ul> <p><i>Action Points:</i></p> <ol style="list-style-type: none"> <li><i>The IMO to resolve the outstanding issues with those members who have raised concerns with respect to the definition of an Outage and circulate the proposal prior to submitting the Rule Change Proposal into the Standard Rule Change Process.</i></li> <li><i>Western Power to provide an overview of Western Power’s current approach to constrained access to the grid at the next MAC Meeting.</i></li> </ol>	<p><b>IMO</b></p> <p><b>Western Power</b></p>
<p><b>6b.</b></p>	<p><b>PRC_2013_14: Adjustment of Spinning Reserve Block Sizes</b></p> <p>The Chair invited Mr Andrew Stevens to present the pre Rule Change Proposal. Mr Stevens provided an overview of the pre Rule Change Proposal which included two options to adjust the size and boundaries of the Spinning Reserve blocks and noted some of the effects of the current arrangements. The following key points were discussed:</p> <ul style="list-style-type: none"> <li>The Chair suggested that the MAC may want to consider a third option which is the runway method of allocating Spinning Reserve costs across generators which would reflect the cost allocation associated with the configuration of generators in each half hour. He noted that many international electricity markets employ this method. The Chair suggested that the IMO could prepare a presentation on the runway method and assess the costs under the different proposals to assist MAC members in assessing a Rule Change Proposal to amend the current arrangements.</li> <li>Mr Shane Cremin noted that allocative efficiencies may be gained from a proposal to change the current arrangements. He added that the current block sizes for Spinning Reserve may affect investment decisions with respect to the size of a generator to be built.</li> <li>Mr Bargmann queried if this proposal should be considered as part of the 2014 Ancillary Services review. Ms Jenny Laidlaw responded that the scope of the Ancillary Services review included assessing the standards and requirements for Ancillary Services but did not include</li> </ul>	

	<p>the mechanism for allocating Ancillary Services costs.</p> <ul style="list-style-type: none"> <li>MAC members agreed that the IMO should present an overview of the runway method at the next MAC meeting and undertake some analysis of the different outcomes under each cost allocation method.</li> </ul> <p><i>Action Points:</i></p> <ol style="list-style-type: none"> <li><i>The IMO to clarify whether the work on Spinning Reserve Block Sizes could be included in the Ancillary Services review.</i></li> <li><i>The IMO to present the runway method of Spinning Reserve cost allocation at the next MAC meeting.</i></li> </ol>	<p><b>IMO</b></p> <p><b>IMO</b></p>
<p><b>6c.</b></p>	<p><b>PRC_2014_01: Improvements to the Energy Market</b></p> <p>Ms Laidlaw explained that the pre Rule Change Proposal followed on from the discussion paper that Mr Jim Truesdale had presented at the December 2013 MAC meeting<sup>1</sup> and was primarily aimed at removing Resource Plans and reducing gate closure times for the Balancing and Load Following Ancillary Services (LFAS) Markets. Ms Laidlaw highlighted the following discussion points:</p> <ul style="list-style-type: none"> <li>The proposed timeframes went beyond those that Mr Truesdale had outlined. Ms Laidlaw asked whether MAC members could foresee any major problems with the timeframes that could not be addressed before implementation.</li> <li>The deadline for System Management to set the LFAS Quantity was proposed to be before Synergy’s deadline for LFAS Submissions. However, Ms Laidlaw sought LFAS providers’ views on whether it was feasible to make LFAS Submissions before the final LFAS Quantity was known, so that the deadline for setting the LFAS Quantity could occur later.</li> </ul> <p>Ms Laidlaw invited MAC members to ask questions or provide comments on either the discussion points or the remainder of the pre Rule Change Proposal. The following key points were discussed:</p> <ul style="list-style-type: none"> <li>Ms Papps said that the LFAS Quantity had been static so far, and that the practicality of the deadlines depended on the predictability of the LFAS Quantity.</li> <li>Mr Sharafi explained that the system controllers currently had a view of five Trading Intervals for short-term planning. He expressed concern that a half-hour gate closure could lead to large sudden changes to how Synergy Facilities needed to be dispatched in this window, particularly as Synergy had large quantities in its bids. He made a number of suggestions that could mitigate the risk, including limiting the size of changes allowed, upgrading the IT system to create alarms for the controllers, and having two controllers on duty. He suggested that a half-hour gate closure could be easier to implement at the same time as Facility-based bidding for Synergy, five-minute dispatch cycles and further automation.</li> <li>The Chair pointed out that System Management had expressed similar concerns about the current gate closure timeframes during the introduction of the Balancing and LFAS Markets but had not seen them</li> </ul>	

<sup>1</sup> Enhancements to the Energy and LFAS Markets, available at: [http://www.imowa.com.au/mac\\_67](http://www.imowa.com.au/mac_67).

	<p>realised. He explained that bids in electricity markets typically converge as you get closer to gate closure rather than change radically, and that big changes were usually due to unplanned or Forced Outages which needed to be addressed even under the current gate closure timeframes. Mr Sharafi replied that he was not objecting to the proposals but highlighting the costs that the market would have to be prepared to bear if System Management were to accommodate them.</p> <ul style="list-style-type: none"> <li>• There was a wide-ranging discussion about the practical effect that a half-hour gate closure might have on System Management's short-term dispatch planning, and potential solutions to the problems created. Mr Sharafi and Mr Kelloway agreed that the obstacles could be overcome, although System Management would need to make some changes to its processes and systems.</li> <li>• Mr Bargmann said that the proposals would mean that Synergy would have to move to an automated trading system, which was reasonable. However, he expressed concern about the timing given that the Review was underway, following which the specification for such an automated system would be better known. Mr Cremin agreed and considered that in general, Market Participants needed more certainty about the future state of the market for which their systems would need to be designed.</li> <li>• The Chair noted that LFAS costs had previously been highlighted by the MAC as a significant concern and that these proposals could potentially reduce them.</li> <li>• Mr Sutherland made two points. Firstly, he said that the timing of gate closure was irrelevant if wind farms did not improve their forecasts. Secondly, he suggested that the changes to Synergy's submission deadlines would remove the incentive for it to nominate large baseload Facilities to be Stand Alone Facilities. Under the current arrangements, when such Facilities tripped, Synergy generally had to fulfil commitments to generate low-priced electricity with more expensive plant, which provided an incentive to move towards Stand Alone Facilities. Ms Papps replied that Synergy was already allowed to rebid if an Outage meant that it had to run a liquid-fuelled Facility.</li> <li>• Mr Sutherland stated that LFAS providers needed to know the final LFAS Quantity before finalising their LFAS bids. Ms Papps and Mr Bargmann agreed. Mr Bargmann expressed his concern that Synergy's submission deadline being before LFAS Gate Closure meant that other Market Participants could choose the intervals for which they wished to provide LFAS without Synergy being able to revise its bids. Ms Laidlaw noted that this was already the case in the LFAS Market, with Synergy's deadline for LFAS Submissions falling hours before LFAS Gate Closure.</li> <li>• Mr Sutherland reiterated his view previously shared with the MAC that Market Customers should be able to make bilateral nominations, particularly given that, following its merger with Verve Energy, Synergy was now able to do so. Ms Ryan replied that it may be more appropriate to consider this as part of the proposed redesign of the STEM.</li> </ul>	
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	<ul style="list-style-type: none"> <li>Mr Stevens asked if the IMO had given any consideration to moving the opening of the STEM Submission window to 8:00 AM, so that Bilateral and STEM Submissions could be made at the same time. Although he could see that, as with Mr Sutherland's proposal, this would fit more naturally with the proposed redesign of the STEM, he considered that if it was a simple change then there was no reason not to implement it immediately. The Chair indicated that the IMO would investigate whether the change could be easily incorporated into this pre Rule Change Proposal.</li> <li>The Chair provided a brief summary of the other issues addressed in the pre Rule Change Proposal and asked MAC members to contact Ms Laidlaw directly to discuss any concerns they had with the proposal.</li> </ul> <p><i>Action Point: The IMO to investigate whether a proposal to open the STEM Submission window at 8:00 AM could be incorporated in PRC_2014_01: Improvements to the Energy Market.</i></p>	<b>IMO</b>
<p><b>6a.</b></p>	<p><b>MARKET PROCEDURES OVERVIEW</b></p> <p>Ms Ryan provided an update on the Market Procedures noting that status updates were provided in red text.</p>	
<p><b>7a.</b></p>	<p><b>WORKING GROUP OVERVIEW AND MEMBERSHIP UPDATES</b></p> <p>No changes or updates were noted under this agenda item.</p>	
	<p><b>8. MAC CONSTITUTION AND GUIDELINES</b></p> <p>The Chair noted that the proposed amendments to the MAC Constitution were prompted by the Amending Rules in the Rule Change Proposal: Market Rule changes arising due to the merger of the Electricity Retail Corporation and Electricity Generation Corporation (RC_2013_18) and invited Ms Ryan to discuss the changes. The following key points were discussed:</p> <ul style="list-style-type: none"> <li>Ms Ryan added that there were also some proposed minor changes to improve the integrity of the Constitution and that the Appointment Guidelines had been circulated for MAC members' information.</li> <li>Ms Ryan noted that Alinta Energy questioned some of the proposed wording and the IMO would attempt to further clarify the intention of the clause.</li> <li>Mr Peter Huxtable queried whether the IMO's recording of the MAC meetings should also be included in the MAC Constitution. Ms Ryan agreed to consider adding it to the Constitution. The Chair also suggested that the timeframes that the IMO retains recordings of MAC meetings could be included in the MAC Constitution for completeness.</li> <li>Mr Bargmann noted that the main concern was the change to a best endeavours approach to meeting papers being provided at least five days prior to a meeting. Mr Sutherland also noted the extensive nature of the papers.</li> <li>Mr Huxtable questioned why the IMO was proposing to remove the footnotes in the Appointment Guidelines which noted that the Chair and the IMO representative were not able to be on the MAC appointment evaluation panel. Ms Ryan noted that the IMO did not</li> </ul>	

	<p>believe that these notes were necessary in the first place. The Chair confirmed that despite the removal of the footnote, the Chair of the MAC will continue not to be a member of the evaluation panel.</p> <p>The Chair invited further comments and feedback during the following week before the IMO undertakes public consultation on the proposed amendments.</p> <p><i>Action Point: The IMO to update the MAC Constitution and Appointment Guidelines based on feedback already received from MAC members and any other comments provided before submitting for public consultation.</i></p>	<b>IMO</b>
<b>9.</b>	<p><b>MUJA BUS-TIE TRANSFORMER FAILURE UPDATE</b></p> <p>The Chair invited Mr Sharafi to present an update on the effects of the recent transformer failures at Muja. The following key points were discussed:</p> <ul style="list-style-type: none"> <li>• Mr Sutherland questioned what the financial consequences of this event were. The Chair responded that the IMO had prepared a presentation to be presented next to show the financial impact of this event.</li> <li>• Mr Cremin and Mr Stevens had questions about the lifespan and cost of the transformer. In response, Mr Sharafi noted that this transformer was about 25 years old of its expected 50 year life and cost \$9 million.</li> <li>• The Chair questioned whether Western Power could provide (not necessarily immediately) more information on other likely single points of failure on the grid. Mr Sharafi observed that Kalgoorlie was currently based on an n-0 network configuration (i.e. there is no credible contingency) along with other single points of failure.</li> <li>• Mr Sharafi noted that the replacement transformer was expected to be available in September provided testing was successfully completed. He said that Western Power was considering options to address the difficulties of obtaining replacement network equipment including sharing spares with other utilities. Mr Frost noted that this would be an economic decision based on a number of practical considerations.</li> </ul> <p>The Chair then invited Mr Martin Maticka to present the impact of this event on the market. The following key points were discussed:</p> <ul style="list-style-type: none"> <li>• Noting the bidding behaviour for Muja AB, Mr Campbell questioned if Vinalco was obliged under the Market Rules to bid at or below the Short Run Marginal Cost (SRMC) of its Facilities. The Chair clarified that the obligation to bid at or below SRMC applies when market power exists.</li> <li>• The Chair provided additional detail noting that after being alerted to the transformer failure and the reliance on Muja AB by System Management, the IMO wrote to Vinalco stating the IMO's view that Vinalco may have market power in these circumstances and it should modify its bidding behaviour to bid at or below SRMC. He noted that Vinalco had shared its operating cost data with the IMO to facilitate further investigation of this issue. He added that Vinalco's bidding behaviour was currently under consideration by the IMO Board.</li> <li>• Mr Campbell noted that Market Participants should be kept informed</li> </ul>	

	<p>about the outcomes of the investigations as these circumstances were expected to have significant impact on the overall market.</p> <ul style="list-style-type: none"> <li>• Mr Sutherland also questioned the financial impact of this event to Market Customers.</li> <li>• Mr Stevens noted that the ERA has the ability to examine contracts in detail and suggested that the ERA should take such action in the given circumstances.</li> <li>• Mr Campbell expressed concern that if it was determined that there was no market power in this case, Vinalco could revert to its previous bidding behaviour (of bidding at the non- liquid price cap) noting that the constrained on payments would then be even larger. MAC members discussed the costs to the market, noting that approximately \$7 million will be incurred until the network constraints in the Albany region are rectified in September. MAC members also discussed whether this cost strengthened the incentive for Western Power to expedite repair or replacement works.</li> <li>• In conclusion, MAC members noted that it was important for the market to be aware of other single points of failure on the grid to be prepared to address such events.</li> </ul> <p><i>Action Points:</i></p> <ol style="list-style-type: none"> <li>1. <i>Western Power to provide information on any other single points of failure in the SWIS.</i></li> <li>2. <i>The IMO to provide Market Participants with the expected financial impact of the Muja bus-tie transformer failure.</i></li> <li>3. <i>The IMO to publish System Management’s and IMO’s presentations on the Market Web Site.</i></li> </ol>	<p><b>WP</b></p> <p><b>IMO</b></p> <p><b>IMO</b></p>
<p><b>10.</b></p>	<p><b>LFAS UPDATE</b></p> <p>Ms Laidlaw provided an update on the recent progress of the joint IMO and System Management investigations into the LFAS Requirement. Ms Laidlaw advised MAC members that the IMO intended to publish the presentation on the Market Web Site along with the LFAS Sources and Usage measures calculated for January 2014 and February 2014.</p> <p><i>Action Point: The IMO to publish on the Market Web Site the ‘LFAS Requirement Investigation Update’ presentation for the March 2014 MAC meeting and the LFAS sources and usage measures calculated for January 2014 and February 2014.</i></p>	<p><b>IMO</b></p>
<p><b>11.</b></p>	<p><b>WIND FORECASTING UPDATE</b></p> <p>The Chair welcomed Mr Paul Tetley to provide an overview of the recent improvements to Market Participant wind forecasting.</p> <p>Mr Tetley discussed the importance of wind forecasts in ensuring accurate Balancing Price forecasts and provided examples of the magnitude of recent wind forecast variations that affected the forecast prices. Mr Tetley explained the recent process that the IMO and Market Participants had gone through to improve the quality of the forecasts.</p> <p>Mr Tetley then showed the impact of the recent changes on the accuracy</p>	

	<p>of the forecasts and acknowledged the efforts made by wind farms to improve their forecast of expected quantity.</p> <p>Mr Sutherland questioned why it took three days for the IMO to determine a final Balancing Price. The Chair noted that he believed that three Business Days was a worst-case scenario and expected that it was due to the finalisation of the SCADA data but would confirm if this is the case.</p> <p><i>Action Points:</i></p> <ol style="list-style-type: none"> <li>1. The IMO to clarify why the final Balancing Price can take up to three Business Days to calculate.</li> <li>2. The IMO to publish the presentation on the Market Web Site.</li> </ol>	<p><b>IMO</b></p> <p><b>IMO</b></p>
<p><b>12.</b></p>	<p><b>LOAD FORECASTING UPDATE</b></p> <p>The Chair introduced Mr Sharafi to outline the challenges and improvements System Management has made with respect to Load Forecasting.</p> <p>Mr Sharafi outlined the process and demonstrated the systems that System Management undertakes to forecast the Load on the SWIS. He discussed challenges associated with photovoltaic (PV) uptake, changes to block Load consumption, generators tripping and other excursion events and showed examples of the impact of such events.</p> <p>Mr Sharafi noted the recent improvements to Load Forecasting including better generation data for PV systems, optimising blending weights in the forecasting equations used, introducing the ‘Kalman filter’ and introducing an alarm to alert the operator when the forecast is significantly different to the actual quantity.</p> <p>The Chair noted that System Management could introduce a rule change to require estimations of the consumption of larger block Loads to be provided to System Management for the purposes of Load Forecasting.</p> <p><i>Action Point: The IMO to publish the presentation on the Market Web Site.</i></p>	<p><b>IMO</b></p>
<p><b>13.</b></p>	<p><b>GENERAL BUSINESS</b></p> <p><b>Regulation of DSM Aggregators</b></p> <p>The Chair noted that the IMO had written to the ERA and Public Utilities Office (PUO) on behalf of the MAC with regard to the potential licensing of DSM providers. The Chair said that the PUO noted in its letter that a prima facie case for licensing of DSM aggregators had not been established.</p> <p>The Chair offered to facilitate a discussion session on the issue at the next MAC meeting.</p> <p>Mr Middleton noted that historically the PUO had made legislative changes where it considered that the effect would be beneficial to the overall market. In this case, the PUO would need a compelling case to initiate the legislative process. Mr Cremin also noted that based on previous experience and in the current context it was unlikely that the Government would attach a high priority to this issue unless there was a compelling case. The Chair suggested that the IMO discuss the priority of the issue with Mr Geoff Gaston who initiated the topic for discussion at the last MAC meeting.</p> <p>Dr Gould stated his view that given the correspondence from the ERA and</p>	

	<p>PUO, there was little point in continuing to pursue the issue at this stage. Dr Gould believed that one material issue was the conflict of interest between the retailer's incentive to have the Individual Reserve Capacity Requirement as low as possible and the DSM aggregator to have it as high as possible so as not to restrict its Relevant Demand. He noted that in these circumstances it may be appropriate to protect small-use customers through the introduction of regulation. Mr Campbell agreed with Dr Gould's comments, noting that he had also experienced similar scenarios particularly in mid-tier customers. Dr Paul Troughton stated that he did not believe that EnerNOC had advised any customer to increase demand so as to increase their Reserve Capacity Requirement. The company only coaches customers to reduce demand reliably when needed. Dr Gould clarified that he was not suggesting that EnerNOC had adopted this practice.</p> <p>However, MAC members generally agreed that Mr Gaston should be given the opportunity to comment on the possible next steps.</p> <p><i>Action Point: The IMO to discuss with Mr Gaston the priority of licensing DSM aggregators and include a discussion item on the agenda for the next MAC meeting if requested by Mr Gaston.</i></p>	<p><b>IMO</b></p>
<p><b>CLOSED:</b> The Chair declared the meeting closed at 5:10 PM.</p>		