

Independent Market Operator

Market Advisory Committee

Minutes of Meeting No. 7

Location:	ERIU Conference Room Level 8, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 14 November 2007
Time:	Commencing at 2.00pm to 3.50pm

Attendees		
Dora Guzeleva	IMO	Acting Chair
Kristian Myhre	Alinta	
Robert Püllella	Economic Regulation Authority	
Magnus Stensson	IMO	Minutes
Gregg Buskey	NewGen Neerabup	Phone 2.10 – 2.45pm
David Lyne	Newmont	
Matthew Martin	Office of Energy	Proxy for Jason Banks
Grant Draper	Synergy	Proxy for Tony Perrin
Ken Brown	System Management	
Mark Lewis	Transalta	
Andrew Everett	Verve Energy	
Peter Huxtable	Water Corporation	
Apologies		
Anne Nolan	IMO	
Jason Banks	Office of Energy	
Ky Cao	Perth Energy	
Tony Perrin	Synergy	
Phil Southwell	Western Power	

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES/ATTENDANCE</p> <p>Noted apologies from Anne Nolan, Ky Cao, Phil Southwell, Tony Perrin and Jason Banks.</p> <p>The Chair opened the meeting and welcomed members to the eighth meeting of the Market Advisory Committee.</p>	
2.	<p>MINUTES OF LAST MAC MEETING</p> <p>The Minutes of MAC Meeting No. 7 held on 10 October 2007 were circulated prior to this meeting.</p> <p>Members adopted the Minutes of Meeting No. 7 as a true and correct record.</p>	
3.	<p>POTENTIAL MARKET RULE CHANGE PROPOSALS</p>	
	<ul style="list-style-type: none"> • LNG TO BE ADDED TO LIQUID FUEL DEFINITION <p>A proposal by NewGen Neerabup to amend the rules to add Liquefied Natural Gas (LNG) to the definition of Liquid Fuel in the rules had been circulated for consideration by MAC.</p> <p>Gregg Buskey from NewGen joined the meeting via phone. He explained that potential suppliers of LNG had informed NewGen that the price for small backup quantities of LNG, sourced locally in Perth to use as a backup fuel, would be more in line with distillate fuels, rather than the export prices of LNG quoted for long term supply contracts. Thus, having LNG capped at the Maximum STEM Price would make it uneconomical to use as a back up fuel source.</p> <p>System Management informed that, for system security reasons, it was keen to see more LNG used as an alternative backup fuel source, rather than increasing the dependency on distillate fuels.</p> <p>MAC was in general support of the intent of the change, to amend the rules to include LNG in the definition of liquid fuel. However, before accepting that the Alternative Maximum STEM Price is the appropriate cap for LNG, MAC requested evidence that LNG sourced in WA will be priced in line with distillate fuel.</p> <p>NewGen Neerabup will submit the proposal to the IMO after seeking to confirm the market prices for LNG sourced in WA to justify the inclusion of LNG in the definition of liquid fuels.</p>	<p>NewGen</p>
	<ul style="list-style-type: none"> • ALTERNATIVE MAXIMUM STEM PRICE - MONTHLY ADJUSTMENTS <p>A proposal by the IMO to amend the rules to enable monthly adjustments to the revised value of the Alternative Maximum STEM Price had been circulated for consideration by MAC. MAC was also requested to consider Fast Tracking the proposal.</p>	

	<p>Currently the Rules do not allow the IMO to adjust the current Alternative Maximum STEM price using the value determined in the recent Energy Price Limits review. Thus, the Alternative Maximum STEM price for December can not be adjusted from November's price to take into account crude oil price movements.</p> <p>MAC supported the proposed changes and approved of the proposal being Fast Tracked.</p> <p>The IMO will submit this as a formal Rule Change Proposal.</p>	IMO
	<ul style="list-style-type: none"> • SWIS RELIABILITY PLANING CRITERIA <p>A proposal by the IMO to amend the rules to set the reserve margin to be a defined percentage of the forecast maximum demand had been circulated for consideration by MAC.</p> <p>MAC proposed that IMO clarifies the proposed amendments by splitting clause 4.5.9 (a) in two parts.</p> <p>MAC also discussed if 8.2% was an appropriate level for the reserve margin. System Management would have preferred a larger margin, but deemed 8.2% as an adequate compromise between system security and cost to the market. It was also noted that, as the overall system demand increases over time, the reserve margin will also increase in real MW terms.</p> <p>MAC expressed its support of the change. The IMO will submit this as a formal Rule Change Proposal.</p>	IMO
4.	SUBMISSIONS ON MARKET RULE CHANGES IN PROGRESS	
	<ul style="list-style-type: none"> • RELEASE OF STEM SUBMISSION INFORMATION, RC_2007_13 <p>Alinta had provided a submission relating to this change in which it proposed that the timeline for releasing the information be amended to two weeks, in order to redress potential discrepancies in the ability to use the information across participants. MAC members were invited to discuss this issue.</p> <p>ERA stated its desire to have information published as soon as practicable. Alinta's concern was that smaller customers would be disadvantaged if larger generators could capitalise on the information. Its argument was that information should be released as early as possible, but, given the current structure of the market, the delay should be long enough to avoid misuse of the data. Some members argued that the requirement in the Rules to bid at SRMC should prevent any inappropriate behaviour, and that the immediate release of data should therefore not necessarily present a problem.</p> <p>After some discussion MAC agreed that publication within one week would satisfy the desire for early release of information, while avoiding the perception that this information may be used in a way that enhances generators' dominant position.</p>	

	<ul style="list-style-type: none"> • INTERMITTENT GENERATOR RESOURCE PLAN EXEMPTION, RC_2007_10 <p>Alinta had provided a submission relating to this change in which it stated that the requirement to submit resource plans be lifted for all intermittent generators, regardless of the portfolio mix they belong to. Alinta had also requested more analysis on the impact of removing the RPDQ calculation.</p> <p>In regard to Alinta's first concern that the proposed new rule should apply to all intermittent generators, the IMO clarified that generators with a mixed portfolio can include in their Resource Plans a zero quantity for their intermittent generators without facing any penalty.</p> <p>The intent of the rule change is to remove the requirement for participants with only intermittent generators to have to submit a Resource Plan, given that they will not be required to comply with the Resource Plan under the proposed amendment to clause 7.10.1. The proposed changes to clause 7.10.1, however, would remove the requirement to follow Resource Plans for all intermittent generators, including those that are operated as part of a portfolio.</p> <p>With respect to Alinta's second query, the IMO had analysed the current application of the RPDQ and the results of that analysis were provided to MAC. The analysis showed, in summary, that for an RPDQ to be non-zero, the Resource Plan shortfall in clause 6.11.1(e) will also have to be non-zero.</p> <p>MAC noted that the non-zero RPDQ results are not consistent. For example, a Market Generator, who is also a Market Customer, that has a Scheduled Generator, a positive Net Contract Position and a Shortfall, will have a non-zero RPDQ for all types of Dispatch Instructions. However, if the Market Generator is not also a Market Customer, a non-zero RPDQ will only occur with an upward Dispatch Instruction.</p> <p>MAC noted that the application of the RPDQ does not appear to be appropriate. For example, it could penalise a participant (including a Market Generator with only Non-Scheduled Generators) trying to make good in production a Shortfall it disclosed in its Resource Plan. This can create a perverse incentive for generators not to disclose their Shortfalls.</p> <p>MAC also noted that there is no clear indication as to what behaviour the RPDQ implementation is supposed to penalise. Therefore it is proposed to remove the RPDQ altogether. The IMO provided a summary of the analysis conducted and will send a spreadsheet with the analysis to MAC members after the meeting (this spreadsheet is also available upon request from the IMO).</p> <p>MAC was satisfied with the explanations given in relation to these two concerns and restated its support of the proposal.</p>	
<p>5.</p>	<p>ENERGY PRICE LIMITS WORKING GROUP</p> <p>Terms of Reference for a Working Group to consider and develop any amendments to the Market Rules resulting from the 2007 Review of the</p>	

	<p>Energy Price Limits had been circulated for consideration by MAC.</p> <p>MAC approved the Terms of Reference and the appointment of the Working Group. It was also proposed to invite NewGen as a member of the Group.</p> <p>Members are to provide the IMO with their nominated representatives by 23 November 2007.</p>	All
6.	<p>OTHER MATTERS</p> <p>System Management thanked all participants for their cooperation during the period of high system demand on Monday, 12 November.</p>	
7.	<p>CLOSED</p> <p>The Chair declared the meeting closed at 3.50pm</p>	