INDEPENDENT MARKET OPERATOR

# Market Advisory Committee

# Minutes

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| **Meeting No.** | 67 |
| **Location** | IMO Board Room<br>Level 17, 197 St Georges Terrace, Perth |
| **Date** | Wednesday 11 December 2013 |
| **Time** | 2:00pm – 5:30pm |

| Attendees | Class | Comment |
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| Allan Dawson | Chair | |
| Kate Ryan | Compulsory – IMO | |
| Dean Sharafi | Compulsory – System Management | Proxy |
| Andrew Everett | Compulsory – Generator | |
| Dean Frost | Compulsory – Western Power | Proxy |
| Will Bargmann | Compulsory – Customer | |
| Geoff Gaston | Discretionary – Generator | |
| Shane Cremin | Discretionary – Generator | |
| Andrew Sutherland | Discretionary – Generator | |
| Michael Zammit | Discretionary – Customer | |
| Nenad Ninkov | Discretionary – Customer | |
| Steve Gould | Discretionary – Customer | |
| Peter Huxtable | Discretionary – Contestable Customer Representative | |
| Paul Hynch | Minister's appointee – Observer | Proxy |
| Elizabeth Walters | Observer – Economic Regulation Authority (ERA) | Proxy |
| **Apologies** | **From** | **Comment** |
| Phil Kelloway | Compulsory– System Management | |
| Noel Ryan | Compulsory – Western Power | |
| Nerea Ugarte | Minister's appointee – Observer | |
| Wana Yang | Observer – Economic Regulation Authority (ERA) | |
| **Also in attendance** | **From** | **Comment** |
| Jim Truesdale | Concept Consulting | Presenter |

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| Jenny Laidlaw | IMO | Presenter |
| Aditi Varma | IMO | Presenter & Minutes |
| Alex Penter | IMO | Presenter |
| Brendan Clarke | System Management | Presenter |
| Fiona Edmonds | Alinta Energy | Observer |
| Chris Campbell | Alinta Energy | Observer |
| Andy Stevens | Bluewaters Power | Observer |
| Rob Rohrlach | Amanda Australia | Observer |
| Paul Troughton | EnerNOC | Observer |
| Greg Ruthven | IMO | Observer 3:30pm-4:15pm and 5:00pm-5.30 pm) |
| Erin Stone | IMO | Observer |
| George Sproule | IMO | Observer |
| Courtney Roberts | IMO | Observer |

| Item | Subject | Action |
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| **1.** | **WELCOME**<br>The Chair opened the meeting at 2:00pm and welcomed members to the 67th meeting of the Market Advisory Committee (MAC). | |
| **2.** | **MEETING APOLOGIES / ATTENDANCE**<br>The following **apologies** were received:<br>• Phil Kelloway (Compulsory – System Management)<br>• Noel Ryan (Compulsory – Network Operator)<br>• Nerea Ugarte (Minister's appointee – Observer)<br>• Wana Yang (Observer – ERA)<br>The following **proxies** were noted:<br>• Dean Sharafi for Phil Kelloway (Compulsory – System Management)<br>• Dean Frost for Noel Ryan (Compulsory – Network Operator)<br>• Paul Hynch for Nerea Ugarte (Minister's appointee – observer)<br>• Elizabeth Walters (Observer – ERA)<br>The following **presenters** and **observers** were noted:<br>• Jim Truesdale (presenter, Concept Consulting)<br>• Jenny Laidlaw (presenter, IMO)<br>• Brendan Clarke (presenter, System Management)<br>• Aditi Varma (presenter and minutes, IMO) | |

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| | • Alex Penter (presenter, IMO)<br>• Fiona Edmonds (observer, Alinta Energy)<br>• Chris Campbell (observer, Alinta Energy)<br>• Andy Stevens (observer, Bluewaters Power)<br>• Rob Rohrlach (observer, Amanda Australia)<br>• Paul Troughton (observer, EnerNOC)<br>• Greg Ruthven (observer, IMO)<br>• Erin Stone (observer, IMO)<br>• George Sproule (observer, IMO)<br>• Courtney Roberts (observer, IMO) | |
| **3.** | **MINUTES OF PREVIOUS MEETING**<br>The minutes of MAC Meeting No. 66, held on 13 November 2013, were circulated to members prior to the meeting.<br>The following amendments were agreed:<br>***Section 5c: page 6 of 12***<br>• Mr Nenad Ninkov questioned whether the IMO was confident that the proposed changes qualified to be progressed under the Fast Track Rule Change Process. <u>The Chair and </u>Ms Ryan confirmed that the IMO had completed a fast track rule change assessment and ~~was~~<u>were</u> satisfied that it had passed the test. Ms Ryan also reiterated that the IMO Board would not approve the Amending Rules until the amendments to the Electricity Corporations Act have been made.<br>***Section 6a: page 10 of 12***<br>*Action points:*<br>• *System Management to review its cost allocation between the energy and capacity market to assist Bluewaters' Rule Change Proposal to amend the Market Fees structure<u> during the rule change process</u>.*<br>Mr Dean Sharafi and Mr Brendan Clarke observed that System Management did not segregate its costs on energy and capacity and was unable to provide such a cost allocation. The Chair noted that this cost allocation would be required when this rule change was progressed further and added that the action item would become applicable for System Management during the rule change process.<br>*Action Point: The IMO to amend the minutes of Meeting No. 66 to reflect the agreed changes and publish on the Market Web Site as final.* | **IMO** |
| **4.** | **ACTIONS ARISING**<br>The Chair introduced Ms Kate Ryan to update the MAC on the current actions. The following points were noted:<br>• **Item 43:** Ms Ryan noted that the IMO had sent a letter to the ERA and the Public Utilities Office (PUO) prior to the MAC meeting on 11 | |

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| | December 2013, thereby closing the action item.<br>• **Item 50:** Ms Ryan noted that the external audit to assess consistency between the existing Market Rules, the proposed formulae and the current systems with respect to PRC_2013_16 had also been completed. She noted that the IMO intended to submit the Rule Change Proposal into the formal process before Christmas.<br>• **Item 52:** Ms Ryan noted that this item had also been closed after incorporating necessary amendments in the Rule Change Proposal.<br>• **Item 55 and 56:** Ms Ryan noted that these items would need to be amended based on the discussion on the minutes.<br>*Action Point: The IMO to amend action item 55 to reflect the update based on the discussion on the minutes.* | **IMO** |
| **5.** | **IMPROVEMENTS TO THE ENERGY MARKET**<br>The Chair invited Mr Jim Truesdale to lead a discussion on the issues raised in the paper: *Enhancements to the Energy and LFAS Markets*. The following key comments and queries were made:<br>***Removal of Resource Plans and changes to gate closure timeframes***<br>• Mr Truesdale requested the views of MAC members on the proposal to remove the requirement to submit Resource Plans and to replace the information currently provided by Resource Plans with an earlier Balancing Market forecast. There was general support from MAC members for the proposal.<br>• Mr Sharafi considered that the change would be workable for System Management if the opening of the Balancing Horizon for a Trading Day was brought forward to 1:00 pm on the Scheduling Day (i.e. around the current deadline for Resource Plan submission), with the first Balancing Merit Order (BMO) generated shortly afterwards. MAC members raised no objections to moving the deadline for initial Balancing Submissions from 6:00 pm to 1:00 pm on the Scheduling Day. It was also agreed that it should be possible for the submissions to be made earlier, e.g. as soon as Market Participants were aware of their Net Contract Positions (NCPs).<br>• Mr Truesdale provided an overview of the IMO's proposal to move to a half hour rolling gate closure for Balancing and a 2.5 hour rolling gate closure for LFAS. Mr Sharafi noted that from a System Management perspective the shortening of gate closures was a positive move that would lead to a number of good outcomes. However, Mr Sharafi considered that the proposed timeframes could at this point in time cause difficulties for system controllers. A one hour gate closure for Independent Power Producers (IPPs) and a two hour gate closure for the Verve Energy Balancing Portfolio (VEBP) would produce a more manageable outcome in the short term.<br>• Mr Truesdale questioned for how long System Management thought the transitional arrangements should apply. In response, Mr Sharafi suggested that System Management's proposed timeframes should apply for a year, after which a move to half hour gate closure could be considered. Mr Sharafi noted that increasing the number of generators under Automatic Generation Control (AGC) or other electronic control would help to reduce System Management's concerns. Mr Truesdale | |

considered that in order to achieve changes of this type it was important to set out a clear transition path with agreed timeframes.

- The Chair considered it was reasonable to suggest a transition but sought further information from Mr Sharafi as to why it would be necessary. There was some discussion about the nature and extent of the difficulties that would be faced by controllers if Balancing Gate Closure was reduced to half an hour. The Chair suggested that Mr Sharafi provide some examples of his concerns about the impact of half hour gate closure at the February 2014 MAC meeting.
- Mr Sharafi also suggested that the LFAS Merit Order provided by the IMO to System Management should not be restricted by the LFAS Requirement but instead should include all LFAS Submissions. Mr Truesdale responded that LFAS providers needed to know whether they would be providing LFAS in a Trading Interval prior to Balancing Gate Closure, so that they could update their Balancing Submissions accordingly.
- Mr Truesdale asked Mr Andrew Everett if Verve Energy would have any concerns about moving to rolling gate closure for the VEBP. Mr Everett noted that Verve Energy did not currently operate a 24 hour trading desk and its views on the proposal would depend on whether it resulted in any additional obligations, and if so on what the implications of those obligations would be. There was some discussion about Verve Energy's current obligations to update its Balancing Submissions and how these would be affected by a move to rolling gate closure.
- The Chair confirmed with MAC members that, subject to System Management's reservations about moving to half hour gate closure immediately, the concepts of shortening the gate closure times as outlined in the paper and moving to rolling gate closure for all Facilities for both Balancing and LFAS was, in principle, supported by the MAC.
- Mr Truesdale noted that there could be an opportunity to shorten the process further. Mr Clarke suggested that most markets did not allow participants to change their offer prices so close to the start of a Trading Interval. Mr Truesdale replied that while most markets would not allow price changes after gate closure, prior to gate closure price changes were usually permitted. Dr Paul Troughton explained that in the National Electricity Market (NEM) participants could bid their capacity in up to 10 tranches, and while the tranche prices were set in advance a participant could move capacity from one tranche to another up to five minutes before dispatch.
- Mr Clarke considered that the smaller number of participants in the Wholesale Electricity Market (WEM) would increase the opportunities for gaming. Mr Truesdale replied that this would also make any gaming attempts more visible. The Chair noted that the IMO had not seen any evidence of such behaviour in the Balancing Market to date.
- Mr Andrew Stevens considered that the only time a participant was likely to be amending its Balancing Submission so close to the start of a Trading Interval was when it was having physical issues with the plant. Half hour gate closure would greatly assist both participants and System Management with this process. The Chair noted that the presence of offer quantities in the BMO that related to a generator that

was not able to comply with a Dispatch Instruction was a problem for System Management in that it increased the level of manual intervention required. Mr Truesdale noted that late price changes were not in themselves a problem and did not necessarily indicate gaming behaviour.

***Facility based bidding and dispatch for Verve Energy Facilities***

- Mr Truesdale explained his views on the advantages of moving to facility based bidding and dispatch for all Facilities in the WEM. Mr Truesdale noted that, as in any market, the dispatch of all Facilities would remain subject to System Management intervention for security reasons. Mr Truesdale acknowledged that the proposed changes would require more active participation from Verve Energy, involve some additional costs for both Verve Energy and System Management and would take some time to implement. However, with commitment and an agreed transition path there was no reason why the change could not be achieved.
- Mr Sharafi noted that System Management agreed in principle with a move to facility based bidding and dispatch. System Management was not in a position to make the change immediately, but would be able to make the transition if a staged approach was adopted. In the short term it would be possible to remove intermittent generation Facilities and some of the Facilities with more stable output levels from the VEBP. However, numerous rule, process and system changes would be needed to go further.
- Mr Everett considered that the changes appeared logical and from a market perspective saw no problems with the proposal being presented and considered by MAC. Mr Everett considered the fundamental issue was that a credible business case needed to be presented for the change.
- 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 fettered 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. Mr Truesdale considered that the market's ability to be comfortable about Verve Energy's market power would be much greater with facility based bidding. However, while Verve Energy would be able to adjust its bids in the same timeframes as IPPs it would still continue to be subject to SRMC bidding and scrutiny, given its influence on the market.
- Mr Shane Cremin noted that the Market Rules allow the Minister for Energy to give a policy direction to the IMO and suggested that if the Government considered a move to facility based bidding was warranted then it should direct the IMO to make the change. The Chair noted that to date no Minister had given a policy direction to the IMO and considered it was the job of the MAC to look at improvements to the market and the evolution of the market. Mr Cremin noted that in his view the change needed to happen for the market to reform and there was general agreement on the need for change, but suggested that the normal rule change process may not be sufficient.
- Mr Everett considered that there was a difference between market evolution and setting market policy, and that MAC members need to

contemplate what actually constitutes a change of policy and where that policy direction should come from. Mr Stevens disagreed, considering the changes related to evolving the market so that all participants had the same obligations and were subject to the same transparencies. Mr Stevens did not see this as a policy change. Mr Truesdale agreed with Mr Stevens, considering the changes were similar to the implementation of the Balancing Market, which altered the original market design under which Verve Energy was the default supplier of Balancing.

- Ms Ryan observed that the VEBP was set up as a construct under the Market Rules. The policy was to set up a market subject to Market Rules, with a mechanism for making changes and Wholesale Market Objectives to guide those changes. While a policy direction might make the process of change easier Ms Ryan did not consider it was essential in this case.
- Mr Will Bargmann agreed with Mr Everett on the need for a business case and noted that the upcoming wide scale review of the WEM may impact the progression of the proposed changes. The Chair replied that he did not consider the proposal was inconsistent with any views that had been expressed to him by the Minister, the Public Utilities Office or the Economic Regulation Authority.
- Mr Andrew Sutherland queried whether Verve Energy had assessed the costs and benefits of moving to facility based bidding. Mr Everett responded that an analysis of the expected costs and benefits was in progress. The Chair noted that a lot of the information that would be needed for such an analysis was held by Verve Energy. Mr Truesdale doubted that the costs to Verve Energy would be particularly high, suggesting that System Management's costs were like to be more substantial.
- Mr Sutherland suggested there would be material benefits if the IMO was to indicate the total Balancing Submission quantity associated with Intermittent Generators when it published a Forecast BMO. If System Management was able to provide an updated wind forecast then this would also be of benefit. Mr Truesdale suggested that where wind forecasts were not available an indication of the current Intermittent Generator output levels could provide quite a good proxy for the time frames in question.
- In response to a question from the Chair, Mr Sharafi noted that System Management produces a wind forecast for 24 hours in advance but the forecast is not by individual Facility, as System Management does not have access to wind forecasts for the individual locations. The forecast is produced from numerous inputs.
- The Chair considered that it should be possible to publish both the total wind generation component of the BMO and System Management's forecast wind output over the Balancing Horizon. Mr Cremin noted that System Management's forecast would not take into consideration how many turbines were actually in operation at any time, but considered it would still provide better information than is currently available.

***Risk management issues***

- Mr Truesdale noted that the discussion paper listed a number of thoughts around risk management options, including both “quick wins” and options for longer term future directions. The intention was not to offer specific solutions but to promote discussion in the MAC. Mr Truesdale suggested the MAC discuss the options for quick wins first before moving on to consider the longer term.
- Mr Sutherland proposed that the opening of the STEM Submission window should be moved earlier to 8:00 am. He was also supportive of removing the association of Capacity Cost Refunds with the STEM and potentially removing the obligation on Market Generators to participate in the STEM. Mr Sutherland did not support the concept of having multiple Bilateral Submission windows.
- Mr Stevens suggested allowing both the STEM and Bilateral Submission windows to be open from 9:00 am until around 10:15 am, with the STEM Auction taking place around 10:20 am. Market Participants would be advised of their NCPs by 10:30 am after which they would be able to make their initial Balancing Submissions for the Trading Day. Mr Stevens considered there was no reason why the Bilateral Submission window needed to close before the STEM Submission window opened.
- Mr Truesdale queried whether the Balancing Submission window could also open at 9:00 am. Mr Stevens agreed that this would be reasonable, but noted participants may need to know their NCP before constructing their Balancing Submission.
- Mr Geoff Gaston supported making the STEM voluntary and removing any associated capacity obligations or liability for Capacity Cost Refunds. Changes to the submission window timeframes were not a concern provided that participation in the STEM was not mandatory. Mr Gaston considered the removal of refunds for Net STEM Shortfalls should be the highest priority, as the Reserve Capacity Obligation should apply to the Balancing Market and the STEM obligation just created additional risks for a Market Participant. The Chair and Mr Truesdale agreed that a Market Generator’s Reserve Capacity Obligations should apply to the Balancing Market as it is the physical energy market.
- Mr Sutherland considered that the link between STEM Submissions and a Market Participant’s Net Bilateral Position (NBP) created unnecessary complexity, increasing the likelihood of submission errors that could cost a Market Participant millions of dollars. Mr Sutherland suggested changing the STEM to be based on simple bids and offers that were completely unrelated to the participant’s NBP. Mr Truesdale noted that this option probably related more to future directions than to quick wins.
- Mr Gaston suggested segregating the proposed changes, with the removal of the refund risk implemented first as a quick win, followed by consideration of further changes. Mr Gaston supported the idea of the STEM being a simple ‘clearing house’ for bids and offers.
- The Chair noted that the process could operate like a stock exchange rather than an auction, with intersecting bids and offers being cleared on an ongoing basis. Mr Sutherland agreed and suggested the market could be open for days or months at a time. The Chair suggested that

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| | the market could initially operate one day ahead (like the current STEM) and then be extended if there was sufficient interest.<br>• The Chair reiterated his view that capacity obligations should apply to the Balancing Market rather than the STEM. Mr Sutherland noted that even if participation in the STEM was made voluntary, under the current arrangements a Market Participant with a bilateral position would be forced to participate in the STEM. Mr Sutherland did not expect the outcomes would be particularly different if participation in the STEM was discretionary, except in regard to Verve Energy.<br>• Mr Everett questioned how much volume was likely to be in the STEM after the merger of Synergy and Verve Energy on 1 January 2014. Mr Sutherland noted that the quantities in the supply curves offered into the STEM would be unchanged but the cleared volumes were likely to reduce.<br>• Mr Truesdale noted there appeared to be general support for removing refunds for Net STEM Shortfalls, but questioned for whom participation in the STEM should be discretionary. Mr Truesdale expected there would be some concern if the new merged Synergy/Verve Energy was not obliged to participate in the STEM. Mr Sutherland noted that the STEM does provide Market Generators some opportunity to purchase electricity to cover their obligations where they do not have time to enter into short term bilateral arrangements.<br>• Mr Stevens considered that effectively participation in the STEM was only compulsory for Verve Energy as it was the only party obliged to offer its energy at short run marginal cost (SRMC). Mr Stevens saw value in the STEM because it was a marginally priced market. If, for example, he needed to acquire 100 MWh of electricity for a Trading Interval, purchasing 50 MWh in the STEM and 50 MWh through the Balancing Market allowed him to save at least 25% of the cost he would incur if the energy was purchased through a single energy market. However, this was only the case because of the obligation on Verve Energy to offer its energy at SRMC. If this obligation was removed then STEM Clearing Prices could increase significantly. Mr Chris Campbell disagreed, considering that the market would become more efficient as a result of the change.<br>• Mr Sutherland considered that it was easier for Verve Energy to manage variability in its STEM outcomes as it had a portfolio of Facilities at its disposal. A Market Participant with a single Balancing Facility was more exposed to the outcomes of what is a 'blind auction' and so had more incentive to offer high prices into the STEM to avoid being cleared for an impractical quantity. There was some discussion about how the changes proposed to the STEM earlier in the discussion would affect participant bidding behaviour.<br>• The Chair concluded that the desire for some transparency around what is being offered before trading suggested a move towards a matching type market rather than an auction based market. Further, there appeared to be a general agreement that participation in the STEM should not be compulsory, although there was uncertainty as to the extent to which Verve Energy should be required to participate.<br>• Mr Stevens sought clarification on whether the suggestion to remove the STEM completely was still under consideration. The Chair replied | |

that as participants had indicated the STEM was of still of value the IMO had no intention to remove it.

- There was further discussion about the future obligations on Verve Energy to participate in the STEM and the efficiency impacts of allowing participants to see bids and offers ahead of time. Mr Stevens considered that where a participant needed to buy energy and the seller did not need to sell the buyer was always going to be on the wrong side of the leverage for the trade. Mr Cremin noted that this only applied to buying in the STEM, and that SRMC requirements would continue to apply in the Balancing Market. Mr Campbell noted that the only reason for purchasing energy in the STEM was to gain surety and because you expected to get a better outcome than through the Balancing Market. This would not be the case if STEM prices rose higher than the expected Balancing Price.
- Mr Sutherland and Mr Stevens noted their concerns that if the STEM became discretionary but retained the same mechanism then a participant needing to buy energy to meet its bilateral obligations would be forced to be a price taker in the STEM and potentially exposed to very high energy prices. Mr Stevens considered the mechanism would need to be changed to allow generators in this situation to choose to purchase the energy in the Balancing Market rather than the STEM.
- Mr Truesdale noted that there were limits to the risks faced by participants, as Balancing Prices were limited by the Price Caps and Verve Energy was still required to offer its energy into the Balancing Market at SRMC. Mr Truesdale questioned what issues could arise for participants between the STEM Auction and dispatch. Mr Gaston responded that a generator may experience a Forced Outage or else come back from an Outage earlier than expected.
- The Chair queried whether there would be benefit in opening the Balancing Horizon earlier still so that a forecast Balancing Price was available before the closure of the STEM Submission window. Mr Truesdale considered that the early availability of a forecast Balancing Price could be useful. Mr Everett noted however that Verve Energy needed to know its NCP in order to construct its initial Balancing Portfolio Supply Curve. Mr Everett also noted that there was a significant difference between a party dumping volume in the STEM and a party being bilaterally contracted to another party that is dumping volume in the STEM.
- The Chair asked Mr Truesdale if he would be able to develop a high level design based on the MAC discussion. Ms Ryan suggested a two stage approach, starting with an investigation of options for quick wins to improve the STEM as it currently operates, and then looking at the longer term redesign of the STEM, for example moving to simpler bid/offer arrangements.
- Mr Nenad Ninkov queried whether anyone knew the shortest length proposed for the new standard products to be offered by the merged Synergy/Verve Energy. Mr Everett responded that this had not yet been determined although work on the new products was underway. The number of distinct standard products was likely to be smaller than originally proposed. For example, there may be a five MW product and a 10 MW product for one month, three months, six months and 12

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| | months. If a participant sought a variation (for example a four month product) then this would likely be treated as a customised product. The products were to be developed by July 2014 and so there was still six months of work to go. There was some discussion around the potential impact of these products on participation in the STEM.<br>• Mr Peter Huxtable queried who would make the final decision on the standard products to be offered by Synergy. Mr Everett considered this would be decided by the team assigned to development once the merger had commenced. The structure of the products had been contemplated throughout the merger design but the focus of the Merger Implementation Group (MIG) had been on more immediate priorities. Mr Huxtable assumed that the MIG would continue to operate in some form until July 2014, but the Chair noted that the group was expected to disband before this time. Mr Bargmann expected that there would still be some project work continuing after the merger, involving people from Verve Energy, Synergy and the Minister's office.<br>*Action Points:*<br>• *System Management to provide examples of the difficulties that controllers would face in maintaining system security if Balancing Gate Closure was reduced to 30 minutes in the short term.*<br>• *The IMO to investigate options for publishing the total intermittent generation quantity in each Forecast BMO and System Management's wind forecast for Trading Intervals in the Balancing Horizon.* | **System Mgmt**<br><br>**IMO** |
| **6a.** | **Market Rule Change Overview**<br>The Chair requested Ms Ryan to provide an update.<br>• Ms Ryan noted that six Rule Change Proposals were currently underway and three out of them were open for consultation. Ms Ryan added that other updates had been provided for information. | |
| **6b.** | **PRC_2013_15: Outage Planning Phase 2- Outage Process Refinements**<br>Ms Laidlaw invited MAC members to ask questions or provide comments on the Pre Rule Change Proposal. The following key points were discussed.<br>• Mr Clarke noted that the proposal stated that Demand Side Programmes (DSPs) would no longer be required to log Forced Outages, and queried whether this meant that DSPs would not be liable for Capacity Cost Refunds. Ms Laidlaw responded that that it was already the case that DSPs do not log Forced Outages. DSPs would continue to incur Capacity Cost Refunds if they either failed to secure sufficient Associated Loads to meet their Relevant Demand requirement or else failed to reduce their consumption sufficiently in response to a Dispatch Instruction.<br>• Mr Stevens noted that the current deadline for requesting approval of a Scheduled Outage in the System Management Market Information Technology System (SMMITS) is 10:00 am on the day before the Scheduling Day. Mr Stevens suggested that this time should be | |

retained and not changed to 8:00 am as suggested in the proposal. Ms Laidlaw responded that if Market Participants preferred the 10:00 am deadline and this time was already used in SMMITS then the IMO would amend the proposal to use this time instead of 8:00 am.

- Mr Andrew Sutherland queried why the IMO had proposed not to allow Market Participants to request a series of consecutive Opportunistic Maintenance outages. Ms Laidlaw responded that the rationale was to encourage Market Participants to plan their outages and to provide maximum transparency to the market of an upcoming Planned Outage.
- Mr Sutherland suggested that if during the course of an Opportunistic Maintenance outage it was realised that a slightly longer than 24 hour Opportunistic Maintenance outage would be beneficial, the IMO's proposal to restrict Opportunistic Maintenance outages to 24 hours would mean that the relevant Market Participant would be required to return the Facility to service and then undertake another outage if it wished to complete the work. Ms Laidlaw responded that as Planned Outages were for discretionary maintenance, it should be possible (and would be more appropriate) for the Market Participant to apply for a Scheduled Outage in the scenario described. Mr Sutherland responded that if something happened to a Facility on a Friday, it may be better for work to be done on that Facility over the weekend rather than delay the work until a Scheduled Outage can begin on the following Monday or Tuesday. Ms Laidlaw suggested that if the outage was truly discretionary then it should be able to be delayed until the following weekend.
- Mr Stevens considered that if System Management has enough time to assess an outage request and can accommodate the outage, then that outage should be allowed. The Chair responded that if consecutive Opportunistic Maintenance outages were allowed this would reduce the incentive for Market Participants to plan their outages. Mr Sutherland disagreed, suggesting that there are sufficient commercial incentives on Market Participants to ensure that they plan their outages. Mr Sutherland also suggested that the proposed rules were arbitrary. The Chair reiterated that the proposed rules would provide an incentive for Market Participants to plan outages and would also provide transparency and notice to the market of events that could affect prices.
- Mr Sharafi warned that Market Participants should not assume that an Opportunistic Maintenance outage request will be approved.
- Ms Laidlaw observed that as yet no good reason had been presented as to why Opportunistic Maintenance outages should be longer than 24 hours. Mr Steven suggested 48 hours might be an appropriate time limit for Opportunistic Maintenance outages as it would allow a pre-accepted Planned Outage to back directly on to an Opportunistic Maintenance outage. Ms Laidlaw noted that this would be equivalent to removing the concept of Opportunistic Maintenance and simply reducing the lead time required for a Scheduled Outage.
- The Chair sought and received the support of MAC members for the progression of the proposal into the formal rule change process.

*Action Point: The IMO to amend the pre Rule Change Proposal: Outage Planning Phase 2 – Outage Process Refinements (PRC_2013_15) to*

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| | *change the deadline for requests for Scheduled Outages from 8:00 am to 10:00 am on the day before the Scheduling Day, and then submit the proposal to into the Standard Rule Change Process.* | |
| **6c.** | **PRC_2013_20: Changes to the Reserve Capacity Price and the Dynamic Refunds Regime**<br><br>The Chair invited Ms Aditi Varma to present the pre Rule Change Proposal.<br><br>The following points were noted:<br><br>• Mr Gaston queried how spare capacity in a Trading Interval had been defined. Ms Varma responded that the detailed formula was provided in the proposed amendments to clause 4.26.1 which outlined the calculation of spare capacity by Facility type for each Trading Interval. In response to a question from Mr Sutherland, Ms Varma confirmed that the calculation included the spare capacity from DSPs. The Chair added that the IMO could potentially publish the spare capacity information for each Trading Interval as it is available in the forecast Balancing Merit Order.<br><br>• 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 (incentivising early entry for Reserve Capacity) which was proposed at a time of scarce Reserve Capacity but was now of limited relevance in the current situation of excess capacity. Mr Sutherland observed that the refund factor formulae and the recycling of refund revenue meant that the risk profile for all generators would change. Mr Gaston agreed with the principle behind the definition of spare capacity but noted that 750 MW seemed a large number and should be reviewed.<br><br>• Mr Gaston also queried if the paper addressed the economic justification for the recycling regime. Ms Varma responded that this had been addressed in the relevant sections of the pre Rule Change Proposal. Mr Bargmann noted that he continued to have issues with the recycling regime on the grounds that retailers were already paying for capacity and in the context of the current market, the recycling regime added greater cost to the retailers. Mr Gaston also repeated his concerns with the recycling regime. The Chair noted their concerns and encouraged them to provide submissions during the rule change process.<br><br>*Action Point: The IMO to submit the pre Rule Change Proposal into the formal Standard Rule Change Process subject to consideration of publishing spare capacity information.* | <br><br><br><br><br><br><br><br><br><br><br><br><br><br>**IMO** |
| **6d.** | **PRC_2013_21: Limit for Early Entry Capacity Payments**<br><br>The Chair invited Mr Alex Penter to present the Pre Rule Change Proposal.<br><br>The following points were discussed: | |

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| | • Mr Gaston requested clarification of the timelines applied for the determination of excess capacity, noting that the current proposal would not allow investment decisions to factor this revenue stream. The Chair agreed that the determination should be undertaken in Year 1 of the Capacity Cycle. Mr Ruthven noted that it would need to be determined after Capacity Credits were allocated.<br>• The Chair suggested that a notification of the determination of whether there is excess capacity and the subsequent availability of early entry capacity payments could be built into the process following the assignment of Capacity Credits.<br>*Action Points:*<br>• *The IMO to progress the pre Rule Change Proposal into the formal Standard Rule Change Process subject to a change to the notification process.* | **IMO** |
| **7a.** | **Market Procedure overview**<br>Ms Ryan noted that the *Market Procedure: Settlement* was currently open for consultation. She added that *PSOP: Dispatch* had also been published prior to the MAC meeting and was open for consultation. | |
| **8a.** | **Working Group overview and membership updates**<br>The Chair reminded MAC members that nominations for MAC annual review were closing on 18 December 2013. He also noted that the ERA had advised of Ms Wana Yang's resignation and would be advising of her replacement on the MAC in the future. | |
| **9.** | **GENERAL BUSINESS**<br>**a) Ancillary Services Review: Draft scope**<br>Ms Ryan noted that the draft scope for the next five-yearly Ancillary Services review was provided to MAC members for information purposes. The IMO proposed to start the process of selecting a consultant to assist with the work early next year.<br>Dr Troughton suggested that the review should include consideration of moving towards technology neutrality in various Ancillary Services, for example allowing loads to provide regulation services. Ms Laidlaw noted that the scope included an update on technological developments in intermittent generation and demand response that could have an impact on either the provision of or the requirement for Ancillary Services.<br>The Chair noted that the IMO would ensure that the matter was considered in the review and invited MAC members to send the IMO any further comments they had on the draft scope, noting that the IMO would be seeking a consultant early in the new year.<br>*Action Point: MAC members to provide the IMO with any comments on the draft scope of work for the 2014 Ancillary Services review by 5:00 pm on 10 January 2014.*<br>**b) LFAS update**<br>The Chair invited Mr Brendan Clarke to present an update on the IMO and System Management's ongoing investigation into the LFAS Requirement. Mr Clarke noted that the team had further investigated four issues since | **All** |

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| | the November 2014 meeting.<br>• The team had considered the suggestion made by Sapere Research Group that the conversion of System Management's load forecast (which is created on an 'as generated' basis) to 'sent out' target MW values in Dispatch Instructions could provide an additional source of the LFAS Requirement. The team reviewed the analysis data for March 2013 and July 2013 and found a number of outliers, indicating that this is definitely a fifth LFAS source that needs to be considered. Mr Clarke noted that System Management intended to look into ways of reducing the conversion errors in future.<br>• The team had reviewed System Management's processes for detecting and correcting load forecast errors. Mr Clarke noted that currently the load forecasts were produced automatically and are only overridden if the controller notices a deviation between forecast and actual load (available through a graphical computer display) and decides to take corrective action. Mr Clarke advised that System Management intended to implement an automated alarm system to warn the controller whenever the actual load deviated from the forecast by more than a given percentage.<br>• System Management had reviewed forecast and actual load data for November 2013 to investigate the extent to which the accuracy of load forecasts improved with a shortened lead time. System Management had found an average improvement in accuracy of about 30% for the 10 minute dispatch step and 20% for the 20 minute dispatch step. This indicated that reducing the lead times for load forecasts could help to reduce the LFAS Requirement.<br>• The team had reviewed the current Dispatch Instruction processes for Facilities that experienced Forced Outages or deviated from their Commissioning Plans. Mr Clarke noted that a Facility that failed to comply with its Dispatch Instruction was sent a message each minute, requesting it to return to its required position or for the participant to call System Management and advise its current capability so that new Dispatch Instructions could be issued as appropriate. If the participant does not contact System Management then System Management may not notice the problem. As a result no corrective Dispatch Instructions will be issued and LFAS is required to account for the ongoing deviation from the original Dispatch Instruction.<br>The following points were discussed:<br>• The Chair questioned whether the System Management had developed a plan for reducing the LFAS Requirement. Mr Clarke noted that continuous improvement on three of the four identified areas could reduce forecast errors resulting in a potential reduction to the LFAS Requirement. However, he added that a rule change would be required to shorten the range of the forecast.<br>• Ms Laidlaw questioned what the timing would be on creating alerts for monitoring forecast errors. Mr Clarke observed that this work had not been scoped yet.<br>• Mr Dean Frost questioned if constrained network access created a need for LFAS, such as in the eastern Goldfields. Mr Clarke responded that a localised LFAS requirement will occur whenever an island is | |

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| | created on the network. In response to questions from the Chair and other MAC members, Mr Clarke noted that Verve Energy would generally be the default LFAS provider in such situations and would usually be paid for that service under an Ancillary Services Contract for Dispatch Support Service.<br><br>*Action Point: The IMO to publish the presentation: December 2013 MAC: LFAS Requirement Investigation Update on the IMO Web Site.*<br><br>**c) 2013 year in review**<br><br>Ms Ryan observed that the IMO had initiated 29 rule change processes and progressed a few major pieces of work arising out of the Reserve Capacity Mechanism Working Group over the year.<br><br>**d) Short term Spinning Reserve opportunity**<br><br>The Chair invited Mr Clarke to present the agenda item.<br><br>Mr Clarke observed that Simcoa had offered to provide Spinning Reserve at a discounted price compared to that of Verve Energy. He added that System Management would gauge interest among other stakeholders for providing this service and undertake a tender process if required to give stakeholders an opportunity to bid for Spinning Reserve provision.<br><br>The following points were raised:<br><br>• Mr Everett queried how Simcoa was able to offer a discount when Verve Energy's price is unknown, as it is determined through the margin value determination. Mr Clarke noted that Simcoa was offering a discount compared to the notional price that Verve Energy would get.<br><br>• MAC members also clarified that interested stakeholders would need to be registered as Market Participants to provide Spinning Reserve.<br><br>**e) Inclusion of public liability insurance into the Maximum Reserve Capacity Price (MRCP)**<br><br>Dr Steve Gould tabled an issue related to the high dollar value of the public liability insurance which is an input into the IMO's MRCP determination. He observed that the $50 million value for this insurance seemed to have been arbitrarily determined based on ERA's determination on Western Power's Access Arrangement for 2009. He added that this figure should be examined further by Western Power and ERA as it was considered to be the insurance value for a 160 MW open cycle gas turbine plant in the IMO's MRCP determination.<br><br>The Chair requested Mr Dean Frost to clarify Western Power's position on this issue at the next MAC meeting.<br><br>*Action Point: Western Power to clarify the appropriateness of the public liability insurance amount at the next MAC meeting.* | **IMO**<br><br>**Western Power** |
| **CLOSED:** The Chair thanked the MAC members for their contribution during 2013 and declared the meeting closed at 5:30pm. | | |