



INDEPENDENT
MARKET
OPERATOR

Market Advisory Committee

Minutes

Meeting No.	73
Location	IMO Board Room Level 17, 197 St Georges Terrace, Perth
Date	Wednesday 25 June 2014
Time	2:00 PM – 3:45 PM

Attendees	Class	Comment
Allan Dawson	Chair	
Kate Ryan	Compulsory – IMO	
Dean Sharafi	Compulsory – System Management	
Matthew Cronin	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	
Geoff Gaston	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Simon Middleton	Minister's Appointee – Observer	
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	
Apologies	From	Comment
Shane Duryea	Compulsory – Western Power	
Also in attendance	From	Comment
Mike Davidson	System Management	Observer
Paul Hynch	Public Utilities Office (PUO)	Observer
Anders Sangkuhl	Alinta Energy	Observer
Fiona Edmonds	Alinta Energy	Observer
Ben Tan	Tesla Corporation	Observer (3:00 PM - 3:45 PM)

Jacinda Papps	Synergy	Observer
Richard Wilson	EnerNOC	Observer
Erin Stone	IMO	Observer
Jenny Laidlaw	IMO	Observer
Greg Ruthven	IMO	Observer
Paul Tetley	IMO	Observer
Courtney Roberts	IMO	Observer
Aditi Varma	IMO	Presenter
Anne-Marie Foo	IMO	Presenter
Laura Koziol	IMO	Presenter
Bryn Garrod	IMO	Presenter
George Sproule	IMO	Presenter and Minutes

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2:00 PM and welcomed members to the 73rd meeting of the Market Advisory Committee (MAC).</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> Shane Duryea (Compulsory – Western Power) <p>The following proxies were noted:</p> <ul style="list-style-type: none"> Matthew Cronin for Shane Duryea (Compulsory – Western Power) <p>The following presenters and observers were noted:</p> <ul style="list-style-type: none"> Mike Davidson (Observer, System Management) Paul Hynch (Observer, PUO) Anders Sangkuhl (Observer, Alinta Energy) Fiona Edmonds (Observer, Alinta Energy) Ben Tan (Observer, Tesla Corporation) Jacinda Papps (Observer, Synergy) Richard Wilson (Observer, EnerNOC) Erin Stone (Observer, IMO) Jenny Laidlaw (Observer, IMO) Greg Ruthven (Observer, IMO) Paul Tetley (Observer, IMO) Courtney Roberts (Observer, IMO) Bryn Garrod (Presenter, IMO) Laura Koziol (Presenter, IMO) Aditi Varma (Presenter, IMO) Anne-Marie Foo (Presenter, IMO) George Sproule (Presenter and Minutes, IMO) 	

3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 71, held on 14 May 2014, were circulated to members prior to the meeting. The minutes were accepted as a true record of the meeting.</p> <p><i>Action Point: The IMO to publish the minutes of Meeting No. 71 on the Market Web Site as final.</i></p>	IMO
4.	<p>ACTIONS ARISING</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"> • Item 18: Ms Ryan noted that this item was in progress and that Western Power would be able to provide an update at an upcoming meeting. • Item 20: Ms Ryan noted that an update would be provided in the industry update on the Muja bus-tie transformer failure scheduled for 4:30 PM that afternoon. • Item 22: Ms Ryan noted that this item was complete. • Item 29: Mr Dean Sharafi proposed two options for System Management to inform the market of Out of Merit dispatch events. These included either using the real time outage data or further funding System Management to provide for additional resources to enable it to undertake additional planning which would help it to notify the market in advance of such events. <p>Mr Andrew Sutherland queried whether System Management was providing Dispatch Instructions to Facilities which had been constrained off. Mr Sharafi noted that in real time System Management could not always identify on an ex-ante basis whether and to what extent a Facility would run Out of Merit.</p> <p>Ms Jenny Laidlaw queried whether it was possible for System Management to provide advance notice to the market of the anticipated level of Out of Merit dispatch associated with the Muja units so that participants could be better informed the likely impact on their Facilities. Mr Sharafi noted that this was possible but that the quantity which the Muja units were dispatched for was very dynamic.</p> <p>The Chair closed the discussion noting that it would be further discussed at the upcoming industry update on the Muja bus-tie transformer failure.</p>	
5a.	<p>MARKET RULE CHANGE OVERVIEW</p> <p>Ms Ryan informed the MAC that pending the outcomes of the Electricity Market Review (Review) the IMO had extended (to 31 December 2014) the:</p> <ul style="list-style-type: none"> • Draft Rule Change Report for the Rule Change Proposal: Outages Planning Phase 2 – Outage Process Refinements (RC_2013_15); • Final Rule Change Report for the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity 	

	<p>Refunds Regime (RC_2013_20); and</p> <ul style="list-style-type: none"> Final Rule Change Report for the Rule Change Proposal: Limit to Early Entry Capacity Payments (RC_2013_21). <p>Ms Ryan noted that some of these Rule Change Proposals were likely to have significant implementation costs and that given the context of the Review and the reasons provided by the Minister for the recent rejection of two Rule Change Proposals, it was appropriate at this stage to delay the progression of these Rule Change Proposals.</p> <p>Ms Ryan also noted that the IMO had revised its 2014-15 work plan to focus on minor and administrative amendments and to avoid any changes likely to have significant implementation costs.</p> <p>Mr Michael Zammit queried the impact of the rejected Rule Change Proposals. Ms Ryan noted that it would be dependent on the outcome of the Review, however, if the proposals were still relevant, they could be resubmitted into the rule change process.</p>	
5b.	<p>PRC_2014_02: REMOVAL OF FACILITY AGGREGATION</p> <p>The Chair invited Ms Anne-Marie Foo to present an overview of the pre Rule Change Proposal. The following key points were discussed:</p> <ul style="list-style-type: none"> Mr Zammit asked whether the proposal should be delayed until the Review has concluded. The Chair noted that since the proposal was purely administrative and not dependent on the outcomes of the Review, the IMO considered the proposal should be progressed. Mr Geoff Gaston queried which Market Participant had previously aggregated some of its Facilities. The Chair noted that it was Alinta Energy and that the Facilities had been disaggregated shortly after aggregation. Mr Shane Cremin queried whether changes would have to be made with respect to allocating Spinning Reserve Costs to aggregated Facilities. Ms Jacinda Papps responded that the IMO had proposed changes to Appendix 2 to address this. Ms Erin Stone confirmed this was the case. Mr Andrew Stevens noted that given the lack of benefits associated with Facility aggregation he did not see any reason to retain it. <p>MAC members agreed that the IMO should submit the Rule Change Proposal into the formal process and progress it using the Standard Rule Change Process.</p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Removal of Facility Aggregation (RC_2014_02) into the formal process and progress it using the Standard Rule Change Process.</i></p>	IMO
5c.	<p>PRC_2014_03: ADMINISTRATIVE IMPROVEMENTS TO THE OUTAGE PROCESS</p> <p>The Chair invited Mr George Sproule to present the proposal. Mr Sproule noted that the majority of changes in this pre Rule Change Proposal were from the pre Rule Change Proposal: Outages and the Application of</p>	

	<p>Availability and Constraint Payments to Non-Scheduled Generators (PRC_2013_16).</p> <p>Mr Sproule provided an overview of the new amendments which reflected outcomes from a review of the Consequential Outage process undertaken by the IMO. Specifically, it was proposed that the requirement for Market Participants to provide an authorised notice confirming the details of a Consequential Outage be removed.</p> <p>MAC members agreed that the IMO should submit the Rule Change Proposal into the formal process and progress it using the Standard Rule Change Process.</p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Administrative Improvements to the Outage Process (RC_2014_03) into the formal process and progress it using the Standard Rule Change Process.</i></p>	IMO
5d.	<p>PRC_2014_04: SPECIFIC TRANSITION PROVISIONS FOR THE 2014 RESERVE CAPACITY CYCLE</p> <p>The Chair invited Ms Aditi Varma to present this agenda item. Ms Varma provided a brief summary of the pre Rule Change Proposal. The following points were discussed:</p> <ul style="list-style-type: none"> • Mr Simon Middleton queried what the consequences were if there was an incidence of non-compliance. The Chair responded that the Market Rules require the IMO to record each incidence of non-compliance which is then audited annually by an independent Market Auditor. The Market Auditor's report is submitted annually to the Minister and published on the Market Web Site. The Chair noted the reputational risk to the IMO of non-compliance with the Market Rules. • Mr Sutherland queried if the proposed transitional rules could be placed in another market document for them to be more easily removed after they have served their purpose. Ms Ryan responded that there was no alternative document that the proposed rules could be placed in and noted that the IMO proposes to place these proposed transitional rules in Chapter 1 of the Market Rules similar to other transitional rules. She also noted that the IMO can remove the transitional rules from the Market Rules at any time after they have served their purpose. <p>MAC members agreed that the IMO should submit the Rule Change Proposal into the formal process and progress it using the Standard Rule Change Process.</p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Specific Transition Provisions for the 2014 Reserve Capacity Cycle (RC_2014_04) into the formal process and progress it using the Standard Rule Change Process.</i></p>	IMO

6a.	<p>DISCUSSION PAPER: REDUCED FREQUENCY OF DETERMINING ENERGY PRICE LIMITS AND THE MAXIMUM RESERVE CAPACITY PRICE</p> <p>The Chair invited Ms Laura Koziol to present an overview of the discussion paper on the proposal to extend the timeframe for the review of the Energy Price Limits (EPL) and the Maximum Reserve Capacity Price (MRCP) from annually to five yearly.</p> <p>The following key points were discussed:</p> <ul style="list-style-type: none"> • Mr Cremin asked for clarification on what would trigger an in-period review. The Chair clarified that the IMO proposed to have discretion on when to review the prices outside of the regular review cycle. • Mr Sutherland noted that moving to a five yearly review of these values would significantly increase the importance of the re-set price and process. • Mr Stevens noted that he would prefer the continued monthly indexation of the Alternative Maximum STEM price to the oil price on the basis that it fluctuated and could affect generation costs significantly. Mr Gaston agreed that a monthly indexation would be preferable to the proposed quarterly adjustment. • Mr Sutherland noted that there have been significant changes in the MRCP in the past. The Chair agreed but stated that the previous material changes were largely due to changes in the methodology and not the input variables. • Mr Gaston noted that the IMO should wait for the next of the MRCP methodology review before implementing the five yearly review cycle. Mr Sutherland noted that this would overlap with the Electricity Market Review. Mr Greg Ruthven clarified that the next MRCP methodology review will be due before the end of 2016. • Mr Will Bargmann asked why the IMO proposed a five yearly review instead of the three years suggested by the ERA. Ms Ryan responded that five yearly reviews are common regulatory practice and would further reduce costs. The Chair noted that a five yearly review would also align better with the five yearly methodology review and would prevent the situation where the methodology is revised but prices calculated under the old methodology remain. • Mr Bargmann noted that Market Participants need more certainty about the circumstances under which the IMO would undertake an in-period review and suggested that there should be criteria under which the IMO should review the prices outside of the five yearly review cycle. The Chair requested that Synergy and other MAC members provide recommendations on what criteria could be considered at the next MAC meeting. <p><i>Action Points:</i></p> <ul style="list-style-type: none"> • <i>The IMO to consider the feedback provided by MAC members and</i> 	<p style="text-align: right;">IMO</p>
-----	--	--

	<p><i>develop a pre Rule Change Proposal to present at the August MAC meeting.</i></p> <ul style="list-style-type: none"> • <i>MAC members to provide advice on the criteria under which the IMO should review the EPL and MRCP outside the five yearly review cycle at the August MAC meeting.</i> 	MAC
6b.	<p>DISCUSSION PAPER: PROVISIONAL AND FINAL BALANCING PRICES</p> <p>The Chair introduced Ms Ryan to provide an overview of the IMO's analysis on the Provisional and Final Balancing Prices.</p> <p>Mr Stevens noted that it appeared that in January the problem was fixed. He questioned whether this had resulted from a specific action, noting that it would therefore be expected to continue. Mr Sharafi said that there was no specific action undertaken in January.</p> <p>The MAC agreed that it appeared that there may be some seasonality affecting the price differential. Mr Stevens therefore suggested that further analysis should be undertaken over coming months rather than presuming accuracy had improved.</p> <p>Mr Sutherland noted that there was currently 22 hours between System Management providing its estimate to the IMO and the IMO publishing the Provisional Balancing Price. He further noted that the difference between these prices was larger than the difference between the Provisional and Final Balancing Price. Ms Ryan said that it was likely that the IMO could publish the Provisional Balancing Price earlier. The Chair agreed and committed to assess the operational impact and advise MAC members.</p> <p>The MAC agreed to assess the accuracy of Balancing Prices again in six months.</p> <p>Mr Bargmann also asked System Management to assess opportunities for improving its estimates. Mr Sharafi noted that majority of issues affecting its estimates were related to SCADA failures and therefore it was unlikely to be able to reduce these errors. The Chair questioned whether there was a calculation to replace SCADA values where they are not received, or whether it was a manual process. Mr Sharafi said he believed it was a manual process but did not know the detail.</p> <p><i>Actions:</i></p> <ul style="list-style-type: none"> • <i>The IMO to assess the operational impact of publishing the Provisional Balancing Price earlier and advise MAC members.</i> • <i>The IMO to assess the accuracy of Balancing Prices for discussion at a MAC meeting in six months' time.</i> • <i>System Management to provide an overview, at an upcoming MAC meeting, of the method used to replace SCADA values in its estimates where they are not received.</i> 	IMO IMO SM
6c.	<p>DISCUSSION PAPER: MODIFYING THE BILATERAL AND SHORT TERM ENERGY MARKET SUBMISSION TIMETABLES</p> <p>The Chair invited Dr Bryn Garrod to provide an overview of the options for submission timetables and requested feedback from MAC members. The following points were noted:</p>	

	<ul style="list-style-type: none"> • Mr Sharafi noted that by 8:30 AM each Trading Day, System Management provides the IMO with Outage and Ancillary Services data which are required before the Short Term Energy Market (STEM) window can be opened. Ms Laidlaw noted that it would be beneficial for System Management to provide the most up to date data available, and agreed that if the timeframes were extended this may also enable the deadlines for System Management to provide this data to be extended. • Several MAC members supported a longer STEM window but noted associated issues, including the impact it could have on employees (particularly on weekends and for those based on the east coast) and the reduction in time for Market Participants to finalise gas nominations and initial Balancing Submissions. • Ms Papps questioned the need for the Bilateral and STEM Submission windows to overlap and noted that Synergy waits for its net bilateral position before putting in its STEM Submission, therefore a STEM Submission could not be made until the Bilateral Submission window had closed. <p>MAC members generally agreed that there was no need to change the Bilateral Submission window but that extending the STEM Submission window may have merit. The Chair suggested that MAC members give further consideration to the operational impacts of extending the STEM Submission window before the next MAC.</p> <p><i>Action Point: MAC members to give further consideration to the operational impacts of extending the STEM Submission window for further discussion at the next MAC meeting.</i></p>	MAC
7.	<p>MARKET PROCEDURES OVERVIEW</p> <p>Ms Ryan noted that:</p> <ul style="list-style-type: none"> • Consultation would soon be held for the Market Procedure: Reserve Capacity Security and a further round of consultation would also be held for the Market Procedure: Notices and Communications. • The IMO was in the process of revising the Procedure Change Reports for the Market Procedure: Certification of Reserve Capacity and the Market Procedure: Reserve Capacity Performance Monitoring in light the Minister's rejection of the related Rule Change Proposals. • Consultation on the Market Procedure: Determining the Benchmark Reserve Capacity Price had been delayed to align with the publication of the Final Report for the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refunds Regime (RC_2013_20) which is now scheduled to be published on 31 December 2014. 	
8.	<p>WORKING GROUP OVERVIEW AND MEMBERSHIP UPDATES</p>	

	Ms Ryan noted that Mr Sharafi had replaced Mr Phil Kelloway as System Management's representative to the MAC.	
9.	<p>ELECTRICITY MARKET OVERVIEW UPDATE</p> <p>The Chair introduced Mr Middleton to provide an update on the Electricity Market Review. Mr Middleton made the following comments with respect to the upcoming release of the discussion paper:</p> <ul style="list-style-type: none"> • Before releasing the paper the Review team intended to informally circulate preliminary information to key stakeholders seeking feedback and confirmation that the information provided was represented accurately. • Release of the paper and some subsequent timeframes have been postponed by approximately 3 weeks and the paper is now scheduled to be released at the end of July for a four-week public consultation period. However, this will not affect the end-date of the Review. • The outcomes of the paper are not pre-determined and are being developed in an exploratory and robust manner. The paper will identify issues and propose options but will not provide recommendations as the cost-benefit modelling and consultation will not be completed by the time of its release. • The paper will be available on the PUO's website and an overview session will be held after its release. <p>The following issues were raised by MAC members:</p> <ul style="list-style-type: none"> • Mr Zammit queried what topics were being covered in the Review. Mr Middleton responded that the Review would look at industry structure, market design and the regulatory regime. Mr Middleton also noted that it would focus on areas where competitive markets didn't exist, to the extent possible, and noted that the issue of market concentration was a primary focus. • Mr Stevens asked whether the three objectives of the Review had changed or been re-prioritised. Mr Middleton responded that the objectives had not changed but that the outcomes of the Review would be highly dependent on the priority given to each of the objectives. • Mr Sharafi queried whether there were any specific areas where sufficient information had not been provided. Mr Middleton responded that some of the information provided to date had highlighted further areas to explore but that there were no major areas that were deficient. • Mr Sharafi noted that Mr Middleton had previously indicated that there would be a formal consultation process followed by an informal process of engagement. Mr Middleton confirmed that this is still the intention and that a week after the release of the discussion paper there will be an overview session and a 	

	<p>four-week public consultation period. Mr Middleton reiterated that any feedback was welcome on an ongoing basis.</p> <ul style="list-style-type: none"> • Mr Peter Huxtable queried whether the discussion paper would have a clear direction. Mr Middleton responded that it would provide options for each area covered in the Review. He noted specifically that: <ul style="list-style-type: none"> ○ In regard to the market design the Review will consider three options; doing nothing, reforming the existing capacity market and moving to an energy only market. ○ In regard to the industry structure, the Review will consider the appropriateness of using local institutions compared with leveraging existing bodies in the National Electricity Market (NEM) and the issue of market concentration. ○ In regard to the regulatory regime, the Review will consider topics such as the network access model, asset regulation, customer transfers and tariff design. • Mr Huxtable also queried whether incumbents had provided the majority of input into the Review, noting that incumbents would generally be satisfied with the status quo. Mr Middleton noted that the Review team had liaised with various peak bodies as well as a number of Market Participants and governing bodies in the NEM. 	
<p>10.</p>	<p>GENERAL BUSINESS</p> <ul style="list-style-type: none"> • The Chair noted that the industry update on the Muja bus-tie transformer failure would be provided at 4:30 PM. • Mr Stevens queried whether it was possible to include in the Rule Change Proposal: Administrative Improvements to the Outage Process (PRC_2014_03) an amendment to require the quantity of an outage to be based upon the prevailing temperature on the day rather than at 15 or 41 degrees. Ms Stone responded that PRC_2014_03 was targeting low cost, administrative changes and that the amendment being proposed by Mr Stevens is expected to require changes to System Management systems which would involve costs and implementation timeframes that might delay the implementation of the proposal. 	
<p>CLOSED: The Chair declared the meeting closed at 3:45 PM.</p>		