



Minutes

MEETING TITLE Market Advisory Committee

MEETING NO 77

DATE Wednesday 3 December 2014

TIME 2:00 PM – 5:15 PM

LOCATION Level 17, 197 St Georges Terrace, Perth

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	
Michael Zammit	Discretionary – Customer	
Steve Gould	Discretionary – Customer	
Geoff Gaston	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customers	
Simon Middleton	Minister's Appointee – Observer	(2:45 PM – 5:15 PM)
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	(2:00 PM – 5:05 PM)

Apologies	Class	Comment
Ray Challen	Minister's Appointee – Small Use Consumers Representative	
Shane Duryea	Compulsory – Western Power	

Also in attendance	From	Comment
Mike Davidson	System Management	Observer
Matt Pember	System Management	Observer (2:00 PM – 4:30 PM)

Cameron Parrotte	Western Power	Observer
Paul Hynch	Public Utilities Office (PUO)	Observer (2:00 PM – 4:30 PM)
Wendy Ng	ERM Power	Observer
Brent Graham	Alinta Energy	Observer
Richard Wilson	EnerNOC	Observer
Liz Aitken	Western Power	Presenter (2:00 PM – 4:30 PM)
Martin Maticka	IMO	Observer
Greg Ruthven	IMO	Observer
Tim Middlehurst	IMO	Observer
Mike Hales	IMO	Observer (2:40 PM – 4:00 PM)
Laura Koziol	IMO	Observer
Aditi Varma	IMO	Observer
Christina Madsen	IMO	Observer (2:00 PM – 2:45 PM)
Kang Chew	IMO	Observer (2:00 PM – 2:45 PM)
Courtney Roberts	IMO	Observer
Kylie O’Keeffe	IMO	Presenter (4:45 PM – 5:15 PM)
Mark Brodziak	IMO	Presenter (2:00 PM – 2:45 PM)
Erin Stone	IMO	Presenter
Jenny Laidlaw	IMO	Presenter
George Sproule	IMO	Presenter
Marc Hettler	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 77th 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"> • Ray Challen (Minister’s Appointee –Small Use Consumers Representative) • 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) 	

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	<ul style="list-style-type: none"> • Matt Pember (Observer – System Management) • Cameron Parrotte (Observer – System Management) • Paul Hynch (Observer – PUO) • Wendy Ng (Observer – ERM Power) • Brent Graham (Observer – Alinta Energy) • Richard Wilson (Observer – EnerNOC) • Liz Aitken (Presenter – Western Power) • Martin Maticka (Observer – IMO) • Kylie O’Keeffe (Observer – IMO) • Greg Ruthven (Observer – IMO) • Tim Middlehurst (Observer – IMO) • Mike Hales (Observer – IMO) • Laura Koziol (Observer – IMO) • Aditi Varma (Observer – IMO) • Christina Madsen (Observer – IMO) • Kang Chew (Observer – IMO) • Courtney Roberts (Observer – IMO) • Mark Brodziak (Presenter– IMO) • Erin Stone (Presenter – IMO) • Jenny Laidlaw (Presenter – IMO) • George Sproule (Presenter – IMO) • Marc Hettler (Presenter and Minutes – IMO) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 75, held on 24 September 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. 75 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 the IMO had undertaken analysis on the impact of public liability insurance cost on the Maximum Reserve Capacity Price (MRCP). A summary was provided in the MAC papers. Based on the findings that the impact is minor, the Chair proposed, and MAC members agreed, that no change was required and to close out the action. • Item 20: Ms Ryan noted that the final update on the Muja transformer failure was presented in October 2014 and that the presentation is available on the IMO website. No further updates are planned unless the situation changes. Ms Ryan proposed, and MAC members agreed, to close out the ongoing action. • Action 37: Ms Ryan noted that this action item is planned to be 	

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	<p>discussed at the first MAC meeting next year.</p> <ul style="list-style-type: none"> • Action 43: Ms Ryan noted that the Rule Change Proposal: Reduced Frequency of the Review of the Energy Price Limits and the Maximum Reserve Capacity Price (RC_2014_05) was published on 2 December 2014. • Action 46: Ms Ryan noted that the letter sent to the PUO on behalf of the MAC requesting a policy position on the difference between Dispatch Support Services and Network Control Services was included in the MAC papers. Ms Ryan noted that the IMO had not yet received a response. • Action 47: Ms Ryan noted that this action is contingent upon a response from the PUO referred to in Action 46. Therefore, the action remains open. 	
5.	<p>IMO WEBSITE AND DATA VISUALISATIONS</p> <p>The Chair introduced Mr Mark Brodziak to provide an overview of the new IMO website and data visualisations. The following key points were discussed:</p> <ul style="list-style-type: none"> • Mr Dean Sharafi asked if there is a visualisation which shows the generation by fuel type. Mr Brodziak noted that the generation mix information currently available is not accurate enough to publish. The Chair noted that the IMO could work with Market Participants to make this data accurate and available if it would be useful. • Mr Sharafi pointed out that the non-scheduled generation quantity for a certain interval seemed to be incorrect. Mr Brodziak noted that he would look into this issue and verify the data. • Mr Matthew Cronin asked if the visualisation have been developed in-house and which kind of architecture has been used. Mr Brodziak responded that the visualisations had been developed in-house with ThoughtWorks, an external consulting company. Mr Brodziak advised that the architecture is Java Script driven. Several MAC members noted that the visualisations were very useful and complemented the response time of the visualisations. • The Chair reiterated that the visualisations have been developed to provide data in a format which is easy to process for Market Participants. The Chair noted that the IMO is investigating options for new visualisations welcomed input from Market Participants. However, options are currently limited by the confidentiality of information under chapter 10 of the Market Rules. 	
6.1	<p>CONCEPT PAPER: MANAGING MARKET INFORMATION (RC_2014_09)</p> <p>The Chair introduced Ms Erin Stone to provide an overview of the changes proposed in the concept paper. The following key points were discussed:</p> <ul style="list-style-type: none"> • Mr Michael Zammit asked what deficiency was identified with respect to demand-side information. The Chair noted that the Market Rules had been drafted with a supply-side focus and the same principles had not been applied to demand-side information such as meter data. 	

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	<ul style="list-style-type: none"> • Mr Will Bargmann asked whether the principle related to protecting parties against the disclosure of information would also cover third parties. Ms Stone agreed that it would. • The Chair clarified that the proposal to share information between governance parties related only to market information under the Market Rules and noted that information obtained for other purposes may be treated differently under other legislative instruments. Mr Geoff Gaston asked for an example. The Chair provided an example that the ERA would have powers under the ERA Act under which they could obtain information that would not be covered by this proposal. • The Chair clarified that just because a piece of information is public does not mean necessarily that it will be published on the IMO website, but that it can be made available publicly. Mr Bargmann asked whether it was up to the IMO's discretion as to what would be published. The Chair responded that the IMO would continue to publish useful information in a meaningful way. • Mr Gaston asked whether the IMO would form a Working Group outside of the MAC to consider the initial confidentiality list. The Chair noted that the IMO had planned to establish the initial list over the Christmas period and had intended to bring it back to the MAC as it was unlikely to be a very long list but it could be taken to a Working Group instead if MAC members considered it necessary. • Mr Gaston asked if there was a way to stage the process such that more time was available to ensure that there were no oversights. The Chair noted that the proposal included a process to determine the confidentiality of a piece of information as a result of a request from a Market Participant. Ms Stone further noted that the timeframes for the Standard Rule Change Process should allow sufficient time for Market Participants to consider the proposed status of each relevant piece of information. • Mr Sharafi noted that System Management supported the proposal to clarify how information should be treated on the basis that the current inconsistencies with respect to the provision of information had led to issues in the past. • Mr Peter Huxtable noted that the release of demand-side information would be a significant shift from what is currently made public and questioned whether there were principles that the IMO proposed to apply. The Chair noted that the proposal intended to treat supply-side and demand-side information equitably. The Chair provided an example of meter data aggregated by Market Participant. Mr Zammit asked if the IMO was considering solar generation as well. The Chair noted that the IMO was investigating third party provision of solar generation data in the SWIS. • Mr Brent Graham asked if other markets also used a similar approach to that proposed by the IMO. The Chair noted that demand-side information is published in some other markets. He further noted that the WEM started with an unusually complex set of confidentiality provisions that had been somewhat simplified but still prevented the release of information that could be beneficial to the 	

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	<p>market. Ms Ryan noted that most other jurisdictions had a similar framework that balanced the public benefit of the release of information against any detriment to parties.</p> <ul style="list-style-type: none"> Mr Huxtable noted that there were different ways of releasing information that could be considered confidential including omitting some information (for example publishing volume, but not information that enables energy intensity to be determined), this may be difficult if they are a single market participant. The Chair agreed noting that similar issues needed to be resolved in designing the Gas Services Information Rules, for example using delays in the release of information. Mr Bargmann asked if the IMO planned on making the decision subject to review. Ms Stone noted that the IMO could propose that the decision is made a Reviewable Decision. Mr Bargmann also raised a specific concern about the treatment of third party information considered confidential under a contractual arrangement and the ability for the Market Rules to override such provisions. The Chair noted that such specific issues would be considered through the development of the initial confidentiality list. Mr Bargmann noted that the exercise to establish the initial confidentiality list would be resource intensive for each Market Participant to ensure that the list appropriately covered each piece of information. The Chair noted Mr Bargmann's concerns. <p><i>Action Point: The IMO to consider MAC members' feedback and establish a proposed confidentiality list for consideration at an upcoming MAC meeting.</i></p>	IMO
7.1	<p>RULE CHANGE OVERVIEW</p> <ul style="list-style-type: none"> Ms Ryan noted that the Rule Change Proposals RC_2013_15, RC_2013_20 and RC_2013_21 were dependent on the outcomes of the Electricity Market Review (EMR) and the IMO was likely to extend the timeframes for progressing them until the outcomes of the EMR are known. The Chair asked Mr Simon Middleton if he could provide information regarding the timeframes of the EMR. Mr Middleton noted that first steps to form a view of the potential outcomes were likely to be taken during the first quarter of 2015. Mr Richard Wilson noted that the 2014 Reserve Capacity Cycle was suspended and that no timeline had been communicated to resolve this issue. The Chair responded that the IMO has provided information to the PUO regarding the latest point in time when a decision to go ahead or further defer the Reserve Capacity Cycle must be made. The Chair offered to share this information with Market Participants. <p><i>Action Point: The IMO to provide MAC members and observers information with respect to the latest timing of the 2014 Reserve Capacity Cycle.</i></p>	IMO

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7.2	<p data-bbox="320 277 1201 344">PRE RULE CHANGE PROPOSAL: REMOVAL OF RESOURCE PLANS AND DISPATCHABLE LOADS (RC_2014_06)</p> <p data-bbox="320 360 1201 427">The Chair introduced Ms Jenny Laidlaw to provide an overview of the pre Rule Change Proposal. The following key points were discussed:</p> <ul data-bbox="320 443 1201 2018" style="list-style-type: none"> <li data-bbox="320 443 1201 678">• Mr Sharafi suggested that Dispatch Plans may no longer be necessary and asked whether the proposal could be extended to remove the requirement for System Management to prepare them. Ms Laidlaw indicated that the IMO would consider the change if it was supported by both System Management and Synergy and suggested that the IMO could meet with representatives from System Management and Synergy to discuss this suggestion. <li data-bbox="320 694 1201 790">• Mr Sharafi also suggested the inclusion of additional Standing Data requirements for generators serving Intermittent Loads. Ms Ryan considered that this issue was outside the scope of this proposal. <li data-bbox="320 806 1201 1041">• Mr Andrew Stevens suggested that changes would be required to the format of STEM Submissions to remove references to Fuel Declarations and to some settlement files. Ms Laidlaw noted that the IMO's IT team was currently reviewing the proposal and would design any changes to minimise the impact on Market Participants. Mr Stevens considered it likely that the commencement date for the proposal may need to be extended to allow for these changes. <li data-bbox="320 1057 1201 1400">• Mr Shane Cremin sought clarification about the impact of the proposed changes to clauses 4.12.1 and 4.26.2. Ms Laidlaw explained that the proposed amendments would require Independent Power Producer (IPP) gentailers to make STEM Submissions that covered their own load to avoid incurring Net STEM Refunds. However in practice IPP gentailers already made STEM Submissions as a matter of course. Ms Laidlaw noted that an IPP with only Non-Scheduled Generators would still not need to provide STEM Submissions as its Reserve Capacity Obligation Quantity would remain zero. <li data-bbox="320 1415 1201 1585">• Mr Gaston raised a concern that a Market Participant who failed to make a STEM Submission would not only be liable for substantial Capacity Cost Refunds but would also be considered to have breached the Market Rules. Ms Laidlaw replied that this was not the IMO's intent and proposed to clarify the relevant clauses. <li data-bbox="320 1601 1201 1727">• Mr Gaston reiterated his view that participation in the STEM should not be mandatory. The Chair replied that a review of the STEM was included in the Market Rules Evolution Plan but was waiting on the outcomes of the EMR. <li data-bbox="320 1742 1201 2018">• In response to a question from Mr Stevens, Ms Ryan and Ms Laidlaw confirmed that a Balancing Submission for a Facility undertaking a Commissioning Test under an Operating Instruction would still need to include the planned output quantity at the Minimum STEM Price. The proposed changes to clause 7A.2.3 were intended to cover other situations, for example where a Balancing Submission needed to offer some capacity at a maximum Price Cap to ensure it was not cleared for dispatch. 	

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	<p><i>Action Point: The IMO to liaise with System Management to arrange a meeting with Synergy to discuss System Management's suggestion to remove the requirement to prepare Dispatch Plans from the Market Rules.</i></p> <p><i>Action Point: The IMO to review the proposed drafting of clauses 4.12.1 and 4.26.2 in the Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC_2014_06) to ensure that a failure to submit a STEM Submission is not a breach of the Market Rules.</i></p>	<p>IMO</p> <p>IMO</p>
7.3	<p>PRE RULE CHANGE PROPOSAL: OMNIBUS RULE CHANGE (RC_2014_07)</p> <p>The Chair introduced Mr Marc Hettler to provide an overview of the pre Rule Change Proposal. MAC members agreed for the IMO to progress the Rule Change Proposal into the formal process.</p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Omnibus Rule Change (RC_2014_07) into the formal process and progress it under the Standard Rule Change Process.</i></p>	IMO
7.4	<p>PRE RULE CHANGE PROPOSAL: PROVISION OF NETWORK INFORMATION TO SYSTEM MANAGEMENT (RC_2014_10)</p> <p>The Chair introduced Mr George Sproule to provide an overview of the pre Rule Change Proposal. The following key points were discussed:</p> <ul style="list-style-type: none"> • Mr Sharafi noted that System Management would not be able to store or be responsible for the network information provided to it. Ms Stone clarified that the obligation on a Network Operator was to provide System Management with access to its network information, consistent with current practice. • Mr Cremin queried where the existing obligations for a Network Operator to provide network information via the IMO to System Management resides. Ms Ryan responded that the obligation exists in the Standing Data requirements in the Market Rules. <p><i>Action Point: The IMO to submit the Rule Change Proposal: Provision of Network Information to System Management (RC_2014_10) into the formal process and progress it under the Standard Rule Change Process.</i></p>	IMO
8.1	<p>DISCUSSION PAPER: DEVELOPMENT OF A CONSTRAINED GRID</p> <p>The Chair introduced Ms Liz Aitken to provide an overview of the discussion paper. The following key points were discussed:</p> <ul style="list-style-type: none"> • Mr Cronin asked whether MAC members understood what a post-contingent run-back scheme was. The Chair said it was not universally understood and asked for an explanation. Mr Cronin noted that Western Power negotiated a non-reference connection service and ran a number of contingency scenarios. Under the arrangement, where the contingency would bind the connected generator agreed that it could be curtailed. • The Chair sought further clarification about how this practically applied in the current market. Mr Cremin noted that instead of the curtailment happening after the event as it does now, the proposal would mean that it would now happen before the event. • Mr Cremin questioned how Western Power had determined that there is no ability for the network to support any further post-contingent 	

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	<p>run-back schemes, noting that no analysis had been provided by Western Power to support this conclusion. He noted that recently the ERA had approved a run-back scheme that had not gone ahead and that this should mean that there is still capacity for post-contingent run-back schemes. Mr Cronin noted that although this had not yet eventuated, the capacity with respect to that connection had not been relinquished.</p> <ul style="list-style-type: none"> • Mr Cremin noted that Western Power could be looking at developing and implementing an expensive scheme that could become redundant if the Government adopted a constrained grid policy as part of the EMR outcomes. Ms Aitken noted that Western Power agreed with the view that the network needed to move to a fully constrained grid model to support economic dispatch in the future. • Mr Cronin noted that the proposal for an interim solution was time critical as Western Power was required to provide preliminary access offers to the members of the Competing Access Group (CAG) by February 2015. Mr Greg Ruthven asked where the timeframes were prescribed. Ms Aitken noted that under the Access Code and Applications and Queuing Policy, Western Power is required to make reasonable endeavours to connect customers in the manner in which they request. Mr Cremin noted that Western Power had already been given a reasonable amount of time to progress the necessary changes and the process to date is unlikely to be considered prudent. Mr Cronin noted that this proposal was the outcome of several months of work with the IMO and ERA. • Mr Stevens noted that the concepts and processes of the CAGs and run-back schemes were not transparent and that Western Power had not addressed the main problem, which is that it introduced post-contingent run-back schemes in what is supposed to be an unconstrained grid. Mr Cronin said he believed that Western Power had presented to the MAC earlier this year on the concepts. MAC members noted that they had not. Mr Cremin noted that the lack of transparency may be because this problem has resulted from the amalgamation of a number of commercial arrangements for connection. Mr Cronin said he would take the need for greater transparency and communication on board. • The Chair asked how many times a post-contingent run-back scheme had been used in the last 12 months. Mr Cronin said it was likely to be very few. The Chair noted that the level of constrained on and off payments were minimal at the moment which would appear to mean that the introduction of pre-contingent constraints is less time critical. Mr Cronin noted that the application process revealed a large number of potential connections in a constrained area. The Chair noted that under the current market conditions it was unlikely that all members would still require connections. Mr Cremin noted that it was unlikely that all parties in the queue would actually connect, in particular because of the uncertainty in the market. • Mr Cremin further noted that it seemed that the proposal would be an expensive and time-consuming way for Western Power to meet its obligations under the Access Code, which may not be prudent. Mr Cronin indicated that Western Power was obliged to progress the 	

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	<p>connection applications. He suggested that the intellectual property and algorithms behind the proposed solution would hopefully be transferable to a fully constrained dispatch model. The Chair noted that the proposed algorithms have not yet been shared with the IMO. He indicated that the IMO agreed with Western Power on the need for a fully constrained market model but that Western Power had yet to demonstrate that an interim solution could be practically implemented.</p> <ul style="list-style-type: none"> • Mr Middleton asked to what extent the proposed interim solution would affect participants that were not part of a CAG. Ms Ryan clarified that the only intent is for a pre-contingent constraint to affect the relevant CAG member but noted that a Market Participant that was not in the CAG could be constrained on under the current arrangements. The Chair clarified that where a Facility that is constrained off is below the Balancing Price this would distort the Balancing Merit Order (BMO), economic dispatch and forecast price signal. • The Chair questioned if there was an option to run-back one Facility under a pre-contingent scheme and another under a post-contingent scheme which would be curtailed. Ms Aitken noted that the pre contingent scheme would be called first as the contract is for non-firm access, whereas under a post-contingent scheme the contract has firm access. Mr Cronin added that System Management would make a decision within each of the firm and non-firm groups on the basis of price. The Chair reiterated that this would undermine the Wholesale Market Objectives and economic dispatch. The MAC discussed the practicalities of System Management applying price data to dispatch solutions where a constraint affects the members of a CAG. • Mr Ruthven asked Ms Aitken if the adjustment for the constrained dispatch would be applied pre or post gate closure. Ms Aitken replied that it would probably occur post gate closure to minimise the required rule changes. Mr Ruthven clarified that this would diminish the value of the BMO and would mean that the last BMO before gate closure would be less reflective of the actual dispatch. Ms Aitken agreed and suggested that a re-bidding mechanism could be implemented to allow Market Participants to change bid prices after being notified of a constraint event. The Chair reiterated that because the CAGs are embedded in the network, they also affect, and are impacted by, the bidding and dispatch of participants outside of the CAG and noted that the proposal would require the development of accurate regional load forecasts. • Mr Cremin questioned the necessity for Western Power to undertake this project now on the basis that post-contingent run-back schemes were likely to suffice for the next few years before the EMR outcomes are implemented. Mr Cameron Parrotte noted that the timing of February 2015 was for preliminary access offers and not connections. Mr Parrotte noted that Western Power would offer time bound post-contingent access where the option is technically available. • Ms Aitken offered stakeholders to provide any further feedback to 	

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	<p>Western Power directly. The Chair noted that further information on Western Power's proposed option would need to be provided to MAC before its members were able to support any proposed changes. The Chair also requested worked examples to allow a better understanding of what would happen when a constraint binds.</p> <ul style="list-style-type: none"> • Mr Stevens asked what Western Power needed from the MAC prior to February 2015. Ms Aitken responded that MAC members' feedback received to date would be incorporated into a proposal for a Rule Change Proposal if required. • Mr Cremin noted that if Market Rules need to be changed to implement the proposed interim solution, it would be a material risk for the CAG applicants and that there should be a pragmatic fall-back to connect members on a post-contingent run-back scheme if Western Power is able to. • Mr Stevens noted that new generators are applying for connection under the legislative framework currently in place and therefore should act in accordance with those requirements. He noted that the Market Rules shouldn't necessarily be changed to accommodate those applicants who would otherwise need to pay to augment the network to allow firm access, although perhaps it is more practical. • Mr Cronin noted that Western Power would document an overview of the concepts involved, timing, specifics of the proposal and discussions and views to date. Mr Cremin acknowledged that Western Power could continue to offer access contracts under the Access Code without making any changes to the Market Rules but that it would significantly affect the market. <p><i>Action Point: Western Power to provide an update of its progress with respect to the CAG process at the February 2015 MAC meeting.</i></p>	Western Power
8.2	<p>PRESENTATION: LFAS INVESTIGATION UPDATE</p> <p>The Chair invited Ms Ryan to present an update on the IMO and System Management's LFAS investigation. The following key points were discussed:</p> <ul style="list-style-type: none"> • There was some discussion about why the cost of LFAS was much greater in the Wholesale Electricity Market (WEM) than in the National Electricity Market (NEM). Several reasons were suggested, including the availability of cheap LFAS from 'must run' hydro-electric generators in the Snowy Mountains Scheme, the shorter, five minute dispatch cycle in the NEM, the increased ability of a large market to absorb fluctuations in load and generation and the existence of more generation capacity in the NEM that are able to provide LFAS at low cost. • Ms Ryan noted that while the NEM was able to afford very high frequency performance levels due to its very low LFAS costs, its black start costs were extremely high by international standards and had been the subject of considerable recent scrutiny. Ms Ryan considered it unlikely that the NEM's frequency keeping performance would be at its current level if the cost of LFAS provision was significantly higher. • Mr Zammit noted that the New Zealand market had also suffered 	

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	<p>from high LFAS costs in the past and could perhaps provide a better example for the WEM than the NEM, due to its more similar network structure.</p> <ul style="list-style-type: none"> • Mr Parrotte noted that during the initial development of the Balancing Market he had sought the views of Market Generators on being dispatched at rates other than their nominated Ramp Rate Limit. Ms Laidlaw noted there would need to be some restrictions on the ramp rates System Management could request. Ms Ryan noted that System Management was already permitted under the Market Rules to dispatch a generator at less than its nominated Ramp Rate Limit. • Mr Parrotte queried whether the potential savings of improving System Management's response to Scheduled Generator failures had been estimated, noting that the cost of an additional control room shift would be in order of \$1.4 million per year. Ms Ryan considered it would be helpful for System Management to develop an estimate, while noting the current difficulties in calculating an accurate measure of LFAS usage. • The Chair noted that the current frequency performance in the WEM was extraordinarily good and expected that the LFAS Requirement could be reduced without breaching the 99 percent frequency standard in the Technical Rules. Mr Stevens and Ms Ryan noted the significant reductions in LFAS costs that had resulted from previous reductions of the LFAS Requirement, from +/-90 MW to +/-80 MW and then to +/-72 MW, indicating good potential for further savings to be achieved. • There was some discussion about the boundaries between LFAS and Spinning Reserve Service. Ms Ryan noted that the analysis had found several cases where a large generator had failed without the system frequency dropping to the level (49.68 Hz) currently associated with a 'Spinning Reserve Event'. • Ms Ryan suggested there could be benefit in automatically freezing the position of Scheduled Generators that failed to comply with their Dispatch Instructions (e.g. following a trip or failure to start), to allow System Management to re-dispatch and reduce LFAS usage as quickly as possible. Mr Stevens noted that System Management already 'locked out' Scheduled Generators that failed to comply with their Dispatch Instructions. Ms Ryan observed that sometimes there was a considerable delay before this happened, if in fact it happened at all. • In response to a question from Mr Ruthven, it was confirmed that LFAS Prices were usually higher overnight. The Chair noted that reducing the LFAS Requirement was likely to not only reduce the LFAS Price but also allow Synergy to avoid the costs of operating an additional Facility solely to provide LFAS. • Mr Middleton noted that the EMR was expected to comprise a number of phases, with the first phase now approaching completion. The outcomes of the first phase are expected to include a mandate to progress and an architecture within which a detailed design will fit, followed by development of the detailed design including consultation. Mr Middleton wished to dispel any thought that early 	

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	<p>next year the EMR would be in a position to provide a complete and detailed solution to issues such as those that had been identified by the LFAS Requirement investigation.</p> <ul style="list-style-type: none"> Mr Sharafi suggested that changes to the Market Rules were needed to bring about any significant reduction in the LFAS Requirement. The Chair disagreed and confirmed that the Market Rules and IMO's systems can already accommodate the sculpting of the LFAS Requirement. Mr Sharafi considered that sculpting was something that had not been done anywhere else in the world. The Chair disagreed, noting that most markets set Ancillary Service levels to different values at different times of the day. Mr Sharafi thought it would be difficult to make the necessary weather predictions in the required timeframes. Given the magnitude of current LFAS costs, Mr Sharafi questioned whether the proposed changes, such as the reduction of gate closure and dispatch cycle times, should wait on the EMR outcomes or proceed immediately. The Chair reiterated that the current frequency performance was excessively high and there was room for a reduction. Mr Sharafi noted that the NEM exhibited a similar frequency performance. Ms Ryan again noted the much lower cost of LFAS in the NEM. Mr Stevens considered that the WEM did not actually require such a high performance level, and that reducing it could result in substantial cost savings without creating any significant system impacts. Mr Parrotte noted that System Management had committed to work on sculpting but questioned whether any of the other options involving rule changes could be progressed now, rather than waiting on the outcomes of the EMR. Mr Wilson suggested waiting on the publication of the EMR options paper, which he expected would become available in the not too distant future. There was further discussion about the potential benefits of sculpting the LFAS Requirement. Mr Middleton noted that his role as the Minister's representative on the MAC was to gain an appreciation of potential changes to the Market Rules. Mr Middleton suggested that a sensible rule change with the potential to bring significant benefits would not necessarily need to wait on the EMR, and suggested further discussion about the proposed changes. Mr Sharafi considered that the proposed changes were likely to be consistent with the EMR's recommended evolution path and would provide the greatest benefits by reducing the impact of forecasting errors. Mr Mike Davidson noted that System Management had committed to report back to the February 2015 MAC meeting on its progress in correcting auxiliary load forecasting errors, and to provide a report on sculpting the LFAS Requirement to the March 2015 MAC meeting. <p><i>Action Point: System Management to provide a report to the February 2015 MAC meeting on its progress in correcting auxiliary load forecasting errors in the Real Time Dispatch Engine.</i></p> <p><i>Action Point: System Management to provide a report to the March 2015 MAC meeting on its investigation of options to sculpt the LFAS</i></p>	<p>System Management</p> <p>System</p>

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	<i>Requirement.</i>	Management
8.3	<p>PRESENTATION: 2014 MARKET AUDIT</p> <p>The Chair deferred the presentation on the 2014 Market Audit to an upcoming MAC meeting.</p> <p><i>Action Point: The IMO to present the outcomes of the 2014 Market Audit at an upcoming MAC meeting.</i></p>	IMO
8.4	<p>MARKET RULES EVOLUTION PLAN UPDATE</p> <p>Ms Ryan asked the MAC members if the Market Rules Evolution Plan could be taken as read and proposed to revisit the plan once the EMR outcomes are known. The MAC members agreed.</p>	
9.1	<p>PROCEDURE CHANGE OVERVIEW</p> <p>Ms Ryan asked MAC members is the Market Procedures Overview could be taken as read. MAC members agreed.</p> <p>Ms Ryan added that the further submission period for the Procedure Change: Changes to Market Procedure for Reserve Capacity Security (PC_2013_05) had closed.</p>	
10.1	<p>WORKING GROUP OVERVIEW AND MEMBERSHIP UPDATES</p> <p>Ms Ryan asked the MAC members to formally note that the IMO has received a request to change Synergy's representation on the IMO Procedure Change and Development Working Group. Jacinda Papps will be replaced by Brad Huppatz.</p>	
11	<p>GENERAL BUSINESS</p> <p>Ms Ryan noted that the annual MAC membership review was underway with 5 positions for re-nomination and that applications are due by 17 December 2014. Ms Ryan requested that applicants for compulsory positions include a CV or statement of their skills and experience for assessment purposes.</p>	
11.1	<p>2014 YEAR IN REVIEW</p> <p>The Chair noted that 2014 has been slow with respect to the number of Rule Change Proposals due to the impact of the uncertainty with respect to the outcomes of the EMR. However, the IMO had continued to progress work that was not likely to be affected. The Chair noted that a number of options for improvement had been considered and that they were ready to be implemented when the IMO receives the mandate to do so.</p>	
11.2	<p>PROPOSED MAC MEETING DATES FOR 2015</p> <p>The Chair noted that proposed dates for next year's MAC meetings were included in the MAC papers. The Chair noted that the proposed dates could be modified if need be and requested that MAC notify the IMO if there are any problems, such as clashes with industry events.</p>	
<p>CLOSED: The Chair declared the meeting closed at 5:15 PM.</p>		