



Minutes

MEETING TITLE	Market Advisory Committee
MEETING NO	79
DATE	Wednesday 18 March 2015
TIME	3:00 PM – 5:00 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	(3:15 PM – 5:00 PM)
Andrew Everett	Compulsory – Synergy	Proxy
Shane Cremin	Discretionary – Generator	
Andrew Stevens	Discretionary – Generator	
Wendy Ng	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	
Ray Challen	Minister's Appointee – Small Use Consumers Representative	
Natalie Jackson	Economic Regulation Authority (ERA) – Observer	Proxy

Apologies	Class	Comment
Will Bargmann	Compulsory – Synergy	
Elizabeth Walters	ERA – Observer	

Also in attendance	From	Comment
Ben Vanderwaal	Ernst & Young (EY)	Presenter
Joel Gilmore	EY	Presenter
Cameron Parrotte	Western Power	Observer
Mike Davidson	System Management	Observer
Matt Pember	System Management	Observer
Fiona Wiseman	Alinta Energy	Observer
Holly Medrana	ERA	Observer
Esteban Escobar	Amanda Energy	Observer (3:00 PM – 4:15 PM)
Greg Ruthven	IMO	Observer
Paul Tetley	IMO	Observer
Neetika Kapani	IMO	Observer
Marc Hettler	IMO	Observer
Alex Penter	IMO	Observer and Minutes
George Sproule	IMO	Observer
Katelyn Ridgen	IMO	Observer
Kylie O’Keeffe	IMO	Presenter
Erin Stone	IMO	Presenter
Mark Katsikandarakis	IMO	Presenter
Laura Koziol	IMO	Presenter
Jenny Laidlaw	IMO	Presenter

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 3:00 PM and welcomed members to the 79th meeting of the Market Advisory Committee (MAC).</p> <p>The Chair welcomed all new and re-appointed members to the MAC and thanked the departing members for their contribution over the past year.</p> <p>The Chair provided a brief introduction to the 2015 MAC members and outlined the MAC’s role and obligations. The Chair reminded members that they have been appointed as individuals to represent their class and to act in the best interests of the Western Australian Wholesale Electricity Market.</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The following apologies were received:</p>	

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	<ul style="list-style-type: none"> • Will Bargmann (Compulsory – Synergy) • Elizabeth Walters (Observer – ERA) <p>The following presenters and observers were noted:</p> <ul style="list-style-type: none"> • Ben Vanderwaal (Presenter – EY) • Joel Gilmore (Presenter – EY) • Cameron Parrotte (Observer – Western Power) • Mike Davidson (Observer – System Management) • Matt Pember (Observer – System Management) • Fiona Wiseman (Observer – Alinta Energy) • Esteban Escobar (Observer – Amanda Energy) • Holly Medrana (Observer – ERA) • Greg Ruthven (Observer – IMO) • Paul Tetley (Observer – IMO) • Neetika Kapani (Observer – IMO) • Marc Hettler (Observer – IMO) • Alex Penter (Observer and Minutes – IMO) • George Sproule (Observer – IMO) • Katelyn Rigden (Observer – IMO) • Kylie O’Keeffe (Presenter – IMO) • Erin Stone (Presenter – IMO) • Mark Katsikandarakis (Presenter – IMO) • Laura Koziol (Presenter – IMO) • Jenny Laidlaw (Presenter – IMO) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 78, held on 12 February 2015, were circulated to members prior to the meeting. The minutes were accepted as a true record of the meeting, subject to the IMO clarifying one aspect of the minutes raised by Mr Andrew Everett.</p> <ul style="list-style-type: none"> • Mr Everett questioned the Chair’s comment (recorded in the minutes for agenda item 11.3) that the Minister’s rejection of the Rule Change Proposal: Incentives to Improve Availability of Scheduled Generators (RC_2013_09) had been only due to the overall policy to implement no changes during the Electricity Market Review (EMR). Mr Everett suggested that the Minister had rejected the Rule Change Proposal on the basis that it was inconsistent with the Wholesale Market Objectives. • Mr Shane Cremin asked if the Minister, when approving or rejecting a Rule Change Proposal, makes submissions to that effect. The Chair responded that the Minister provides a letter either accepting or rejecting a Rule Change Proposal and must provide reasons for doing so. 	

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	<ul style="list-style-type: none"> Mr Andrew Stevens provided the exact wording of the Minister's rejection: "I consider that the Rule Change Proposal is inconsistent with the Market Objectives. In forming this assessment, I have taken into account that the costs to implement the amendments may not be recovered in light of possible reforms emanating from the Electricity Market Review. My decision also takes into account that components of the Rule Change Proposal encompass changes relating to Reserve Capacity certification and that the 2014 Reserve Capacity Cycle has recently been deferred by way of Ministerial Direction." The Chair proposed to reflect the Minister's stated reason for rejecting RC_2013_09 in the minutes as a point of clarification. <i>Action Point: The IMO to quote the Minister's reason for the rejection of the Rule Change Proposal: Incentives to Improve Availability of Scheduled Generators (RC_2013_09) as a clarification in the minutes of Meeting No. 78 and publish the minutes on the Market Web Site as final.</i> 	IMO
4.	<p>ACTIONS ARISING</p> <p>The Chair invited Ms Kate Ryan to update the MAC on the current action items. Ms Ryan noted that the items marked as complete would be taken as read and provided the following update on the open actions:</p> <ul style="list-style-type: none"> Action Items 2, 57 and 58: Ms Ryan noted that these items were scheduled to be discussed at various points during the meeting. Action Items 3, 9 and 47: Ms Ryan noted that these items remained open and Mr Dean Sharafi agreed to provide an update on item 3 at the next MAC meeting. Action Item 5: Ms Ryan noted that this item was now complete, as Rule Change Proposal: Managing Market Information (RC_2014_09) was formally submitted on 13 March 2015 Action Item 55: Ms Ryan noted that this item was still open and asked Mr Cameron Parrotte if he was able to provide an update. Mr Parrotte noted that work was still being done on the Northern and Southern Competing Applications Groups (CAGs) and, that input had been received from the IMO, Public Utilities Office and CAG participants. Western Power was still looking to resolve some outstanding issues before making any preliminary access offers. 	
4.1	<p>ACTION ITEM 57: LFAS UPDATE: LFAS SCULPTING</p> <p>The Chair invited Dr Joel Gilmore of EY to present the preliminary findings on the work undertaken for System Management on opportunities to sculpt the LFAS Requirement. The following key points were discussed:</p> <ul style="list-style-type: none"> Dr Steve Gould asked what the equivalent frequency excursion was for the 99 percent line shown in EY's presentation. Dr Gilmore replied that if the enabled LFAS covered the MW of measured causes for 99 percent of the one minute intervals then, in principle, the frequency would be within bounds at least 99 percent of the time. Dr Gould queried the specific relationship with the Normal Range 	

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	<p>(50 Hz +/-0.2 Hz). Dr Gilmore replied that no measurements of actual LFAS usage were available in the market because of the way in which the Balancing Portfolio was dispatched, and so EY had not been able to relate frequency performance to actual MW LFAS usage. EY had focussed on looking at trends in the causes of LFAS and proposed to work out how to relate this to meeting a frequency standard in a subsequent stage of the work.</p> <ul style="list-style-type: none"> • Ms Jenny Laidlaw questioned the use of the term 'LFAS needed' to describe the sum of the four LFAS cause measures. Dr Gilmore agreed this sum was not a measure of the LFAS needed or used, given the Balancing Portfolio dispatch method. Mr Ben Vanderwaal confirmed that the values were the sum of the causes as estimated by formulas, but that no measurements of actual LFAS usage were available. • Mr Simon Middleton asked whether EY's analysis had looked at the relationship between gate closure and the LFAS Requirement relationship. Dr Gilmore proposed to take this question at the end of the presentation if it had not already been answered. • The Chair considered that the analysis provided no new information to MAC members. The Chair noted the high frequency performance levels in the SWIS when compared with the Technical Rules requirement, the high cost of LFAS and the static 72 MW procurement level, and expressed uncertainty as to how EY's analysis had helped the discussion. • Mr Vanderwaal reiterated that no measurements were available to measure the LFAS actually used to deliver the observed frequency performance. While agreeing that this needed to be looked at, he said the question EY had been asked was whether there are any statistical relationships between the observed frequency and the deviation in the forecast or the dispatch target that may be applied to vary the LFAS requirement by time of day, day of year or month of year. • Dr Gilmore considered a core result of EY's analysis was that even when the non-scheduled generation forecast error is zero the range of LFAS needed is almost exactly the same as across the whole year. Ms Laidlaw noted that this result seemed obvious given that the particular analysis appeared to be across all times of day, including periods known to have high load variability and ramping activity. Dr Gilmore agreed the inclusion of high ramping periods introduced a confounding factor but stated that EY had repeated the analysis across various times of day and had found the result to be consistent. The additional analyses were not included in the presentation but would be in EY's final report. • Mr Middleton questioned what other opportunities could be considered if sculpting opportunities were limited. There was some discussion about the potential benefits of reducing gate closure and dispatch cycle times. • Ms Laidlaw noted that System Management was sometimes comfortable enabling a lesser quantity of LFAS at night and that presumably this was due to the weather conditions at the time. 	

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	<p>Ms Laidlaw suggested EY's analysis had failed to consider how far in advance such decisions could be made. Dr Gilmore agreed that EY had not addressed this issue in its analysis.</p> <ul style="list-style-type: none"> • Mr Stevens asked whether EY had taken the work presented by the IMO at the December 2014 MAC meeting into account. Dr Gilmore replied that EY had not, as it considered looking at individual days did not give enough data to draw trends for the future, which it considered was required to enable prediction in advance of individual days for which the requirement could be reduced. • The Chair asked what EY had concluded about the overall frequency performance of the SWIS. Dr Gilmore replied that it was held very tightly, and more tightly overnight. Mr Stevens considered that the study should have considered how many MW of LFAS was needed to end up with 99 percent of intervals having a frequency between 49.8 and 50.2 Hz. Dr Gilmore said that while he agreed this was a valid step, EY had only been asked to look at the sculpting of LFAS. • The Chair disagreed with the 'balloon' theory proposed by EY in its presentation (that if LFAS was reduced in some periods then to maintain the overall standard it would need to be increased in other periods), noting that the market did not need to maintain the current, excessively high performance levels. • In response to questions from the Chair and Mr Middleton, Mr Dean Sharafi advised that an empirical approach, based on experience, is currently used to set the 72 MW LFAS Requirement. Mr Sharafi stated that System Management was happy to work with the IMO to see how much this quantity could be lowered or sculpted going forward, and that the work should continue out of the MAC meeting. Mr Stevens noted that the MAC had asked this question two years previously. • Mr Vanderwaal said EY's recommendation was that it appears there are opportunities for the LFAS Requirement to be lower at night than during the day. Mr Everett considered the presentation showed System Management was actually using more than 72 MW of LFAS. Mr Stevens disagreed, noting that at present it was not possible to measure LFAS usage accurately. • Mr Sharafi considered that frequency performance depended not only on the MW quantity of LFAS enabled but also on the responsiveness of the machines, with the very fast response times of Synergy's High Efficiency Gas Turbines making them very effective at maintaining the system frequency. • The Chair thanked EY for its presentation. In response to a request from Mr Everett, Mr Sharafi agreed that the presentation could be published on the Market Web Site. • The Chair asked whether System Management had commissioned any more work on the project. Mr Sharafi considered that the IMO and System Management needed to discuss what the next steps should be. The Chair proposed to include a discussion of the next steps for LFAS on the agenda for the next MAC meeting. 	

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	<p><i>Action Point: The IMO to publish EY's presentation 'Identifying LFAS sculpting opportunities' on the Market Web Site.</i></p> <p><i>Action Point: The IMO to include a discussion of the next steps for LFAS on the agenda for the 6 May 2015 MAC meeting.</i></p>	<p>IMO</p> <p>IMO</p>
<p>4.2</p>	<p>ACTION ITEM 58: 2014 MARKET AUDIT PRESENTATION</p> <p>The Chair introduced Ms Kylie O'Keefe to present the outcomes of the IMO's 2014 Market Audit. The following key points were discussed:</p> <ul style="list-style-type: none"> • Mr Cremin asked whether there was a requirement to change auditors after a certain time period. Ms O'Keefe replied that there was no such requirement, but the Chair and Ms O'Keefe both noted that a competitive tender process was used to appoint the auditors. Mr Cremin noted that electricity licensees had a requirement with the ERA to change auditors after two audits. • Mr Matthew Cronin asked when the last comprehensive audit was held. Ms O'Keefe responded that it was at market start. The Chair noted that the IMO Board had decided to postpone the comprehensive audit originally planned for 2014, as it decided the high cost was inappropriate given the uncertainty associated with the EMR. <p><i>Action Point: IMO to publish presentation on the 2014 Market Audit on the Market Web Site.</i></p>	<p>IMO</p>
<p>5.1</p>	<p>RULE CHANGE OVERVIEW</p> <p>Ms Ryan provided an overview of the Rule Change Proposals currently in progress and the IMO's upcoming work program.</p> <ul style="list-style-type: none"> • Ms Ryan advised that the Rule Change Proposal: Managing Market Information (RC_2014_09) was published on 13 March 2015 and the Draft Rule Change Report for the Rule Change Proposal: Omnibus Rule Change (RC_2014_07) was published on 16 March 2015. • Ms Ryan noted that the Draft Report for the Energy Price Limits Review was published on 16 March 2015 and would be discussed further under Agenda Item 8.2. • Ms Ryan also noted the two new items were pre Rule Change Proposals to be considered by MAC members under Agenda Items 5.2 and 5.3. 	
<p>5.2</p>	<p>PRE RULE CHANGE PROPOSAL: FORMALISATION OF THE PROCESS FOR MAINTENANCE APPLICATIONS (RC_2015_03)</p> <p>The Chair introduced Ms Laura Koziol to provide an overview of the pre Rule Change Proposal. The following key points were discussed:</p> <ul style="list-style-type: none"> • Mr Michael Zammit supported the proposed changes and suggested the IMO involve affected Market Customers in the development of the Market Procedure. • Mr Middleton asked if the proposed changes were introducing obligations for Demand Side Programmes (DSPs) similar to the existing obligations for Scheduled Generators to register Outages. The Chair clarified that this was not the case. The Chair noted that under the current Market Rules, Market Customers had the option to 	

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	<p>apply to the IMO to replace or disregard a period unrepresentative of the consumption of a Load for the purposes of determining the Relevant Demand for a DSP or assessing a Load's status as a Non-Temperature Dependent Load (NTDL). The proposed changes would formalise these existing processes.</p> <ul style="list-style-type: none"> Mr Geoff Gaston asked if one application could cover several maintenance events or if every maintenance event required a separate application. Ms Koziol explained that one application could cover all maintenance undertaken during relevant Trading Intervals for either determining Relevant Demand or NTDL status. Mr Gaston asked if the calculations for the determination of Relevant Demand and NTDL status could be included in the new Market Procedure or another document. Ms Ryan noted that the Relevant Demand was calculated by a tool within the Market Participant Interface and that the tool was available for Market Customers to also use. Mr Zammit sought clarification regarding the IMO's plans for consultation on the Market Procedure. Ms Ryan clarified that some engagement had already occurred and the IMO would consult with Market Customers on the Market Procedure through the IMO Procedure Change and Development Working Group as well as through the formal submission process. Mr Peter Huxtable sought confirmation that the invoicing of the new Application Fee would be a simple process and not involve unnecessary costs. Ms Ryan confirmed that a simple invoice would be used for the new Application Fee. Ms Wendy Ng asked if the IMO knew why there had been an increase in the number of applications. Mr Zammit answered that there had been an increase in the number of Associated Loads and that many of these Loads shut down or undertake maintenance during the relevant periods. The Chair noted that Market Customers were using the options available in the Market Rules to provide better outcomes for their customers. Ms Ryan also noted that the applications included numerous repeat applications where the initial application had not met the IMO's requirements. <p>MAC members agreed for the IMO to progress the Rule Change Proposal under the Standard Rule Change Process.</p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Formalisation of the Process for Maintenance Applications (RC_2015_03) into the formal process and progress it under the Standard Rule Change Process.</i></p>	<p>IMO</p>
<p>5.3</p>	<p>PRE RULE CHANGE PROPOSAL: EXPEDITING THE PUBLICATION OF BALANCING PRICES (RC_2015_06)</p> <p>The Chair introduced Ms Erin Stone and Mr Mark Katsikandarakis to provide an overview of the pre Rule Change Proposal and discuss the impact of the recent SCADA outages. The following key points were discussed:</p> <ul style="list-style-type: none"> The Chair clarified that when the SCADA outages occurred the IMO had identified the issue and sought clarification from System Management. Mr Katsikandarakis agreed that this was the 	

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	<p>case.</p> <ul style="list-style-type: none"> The Chair sought clarification that the IMO could extend the timeframe for publishing the final Balancing Price where either the IMO or System Management became aware of any problems. Mr Katsikandarakis agreed, noting that the timeframe could be extended up to two days. Ms Stone asked whether MAC members had a preferred implementation option. No MAC members indicated a preference. Ms Stone suggested that the IMO could provide implementation options in the Rule Change Proposal for stakeholders to provide advice on. The Chair noted that the IMO's preference is to make information available on the IMO's Market Data Website as it would be best to ensure that a history of price updates was available for audit purposes. MAC members generally agreed. Mr Cremin requested that the IMO provide a recommended option. Ms Stone agreed that the IMO could provide a recommendation in the Rule Change Proposal. <p><i>Action Point: The IMO to submit the Rule Change Proposal: Expediting the Publication of Balancing Prices (RC_2015_06) into the formal process and progress it under the Standard Rule Change Process.</i></p>	IMO
6.1	<p>PROCEDURE CHANGE OVERVIEW</p> <p>Ms Ryan noted that several Market Procedures were due to be presented at the next IMO Procedure Change and Development Working Group meeting which had been re-scheduled to 22 April 2015.</p>	
7	<p>WORKING GROUP OVERVIEW AND MEMBERSHIP UPDATES</p> <p>Ms Ryan noted that there were no changes to the membership of the Working Groups.</p>	
8.1	<p>GENERAL BUSINESS: OVERLAP BETWEEN SPINNING RESERVE AND LOAD FOLLOWING ANCILLARY SERVICES</p> <p>Ms Laidlaw gave a brief overview of the reason for the IMO's investigation and the options presented in the discussion paper.</p> <p>The Chair noted that the investigation was an action item from the 2014 Ancillary Service Standards and Requirements Study. The investigation was now complete, and as both the options identified to fix the issue were expensive the IMO proposed to wait for the outcome of the EMR and reassess this action at that point.</p> <p>Mr Everett suggested that the paper contained assumptions that were not completely correct and that by clarifying those assumptions it may be possible to eliminate the issue. The Chair asked Ms Laidlaw to arrange a meeting with Mr Everett to discuss the matter. Ms Laidlaw suggested that a System Management representative should also attend the meeting. The Chair noted that the IMO would report back to the MAC if there was any need to do so.</p> <p>Mr Zammit noted that in EnerNOC's view it would be preferable to separate the treatment of the two services.</p> <p><i>Action Point: The IMO to meet with Synergy and System Management to clarify the assumptions outlined in the Discussion Paper: Recognition of</i></p>	IMO

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	<i>LFAS Facilities that do not provide Spinning Reserve Service.</i>	
8.2	<p>GENERAL BUSINESS: 2015 ENERGY PRICE LIMITS REVIEW</p> <p>The Chair invited Ms Stone to present the outcomes of Jacobs' Draft Report for the Energy Price Limits Review for 2015/16.</p> <p>Ms Stone noted that the major change in this years' review was due to the significant recent reduction in gas and oil prices.</p> <p>The Chair reiterated that there is little information with respect to spot gas prices in Western Australia, which makes the calculation of price limits difficult, but that the IMO considered that the base gas price proposed by Jacobs was too low. The Chair noted that in its call for submissions the IMO had indicated a preference for the alternative gas price methodology, but requested stakeholders views through the submission process.</p> <p>Mr Cremin noted that the Alternative Maximum STEM Price is unlikely to ever be reached as it is currently determined. The Chair reiterated that these are limits and that the Alternative Maximum STEM Price has rarely, if ever been reached.</p>	
8.3	<p>GENERAL BUSINESS: 2015 MINISTERIAL DIRECTION</p> <p>The Chair advised that the IMO had received a Ministerial Direction to defer the 2015 Reserve Capacity Cycle for 12 months and recommence the deferred 2014 Reserve Capacity Cycle in 2015.</p> <p>The IMO circulated copies of the Rule Change Proposal: Documentation of the Long Term PASA for the 2014 Reserve Capacity Cycle (RC_2015_04) and the Rule Change Proposal: Specific Transition Provisions for the 2015 Reserve Capacity Cycle (RC_2015_05). The proposals facilitate the publication of the Long Term PASA for the 2014 Reserve Capacity Cycle in the Statement of Opportunities published in 2015 and defer the publication of the Long Term PASA and Reserve Capacity Requirement for the 2015 Reserve Capacity Cycle until 2016.</p> <p>Ms Ryan noted that RC_2015_04 was proposed to be progressed under the Fast Track Rule Change Process.</p> <p>The Chair also noted that the IMO had received a letter from the Minister's Office that afternoon, requesting that the IMO bring forward for the Minister's consideration the Final Rule Change Report for the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refund Regime (RC_2013_20). The IMO Board is yet to consider this report. The IMO intends to conduct a further round of informal consultation on the Draft Rule Change Report, on the basis that it has been around 12 months since stakeholders last considered it. The Chair requested that only new and substantive issues should be raised as the IMO would also consider previous submissions in making its decision.</p> <p>Mr Gaston sought to clarify when the proposed changes from RC_2013_20 would apply. The Chair confirmed that the changes were expected to apply to the 2014 Reserve Capacity Cycle (i.e. the 2016/17 Capacity Year), for which certification would be undertaken in 2015.</p> <p>Ms Ryan requested MAC members provide any feedback on RC_2015_04 by the end of the week and RC_2015_05 by the end of the following week, after which the IMO intended to formally submit the</p>	

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	<p>Rule Change Proposals.</p> <p><i>Action Point: MAC members to provide any comments and feedback to the IMO on the Rule Change Proposal: Documentation of the Long Term PASA for the 2014 Reserve Capacity Cycle (RC_2015_04) and the Rule Change Proposal: Specific Transition Provisions for the 2015 Reserve Capacity Cycle (RC_2015_05).</i></p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Documentation of the Long Term PASA for the 2014 Reserve Capacity Cycle (RC_2015_04) and the Rule Change Proposal: Specific Transition Provisions for the 2015 Reserve Capacity Cycle (RC_2015_05) into the formal process, with RC_2015_04 being submitted under the Fast Track Rule Change Process, and RC_2015_05 under the Standard Rule Change Process.</i></p> <p><i>Action Point: The IMO to expedite the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refund Regime (RC_2013_20) for the Minister's consideration including undertaking a further informal round of consultation.</i></p>	<p>All</p> <p>IMO</p> <p>IMO</p>
<p>CLOSED: The Chair declared the meeting closed at 5:00 PM.</p>		