



Agenda

MEETING TITLE Market Advisory Committee

MEETING NO 85

DATE Wednesday 14 October 2015

TIME 2:00 PM to 4:00 PM

LOCATION IMO Board Room, Level 17, 197 St Georges Terrace, Perth

Item	Responsibility	Duration
1. Welcome	Chair	2 min
2. Meeting apologies/attendance	Chair	2 min
3. Minutes of previous meeting	Chair	5 min
4. Actions arising	Chair	15 min
5. Discussion: Progression of Rule Change Proposals	IMO	5 min
6. Discussion: Electricity Market Review update	PUO	45 min
7. Proposed changes to non-active Balancing Facility conditions	IMO	15 min
8. Margin Values update	IMO	5 min
9. Working Groups update	IMO	2 min
10. General business	IMO	2 min
Next meeting: 11 November 2015		

Please note this meeting will be recorded to assist with the preparation of minutes.

Minutes

MEETING TITLE	Market Advisory Committee
MEETING NO	84
DATE	Wednesday 9 September 2015
TIME	2:00 PM – 5:00 PM
LOCATION	IMO Board Room, Level 17, 197 St Georges Terrace, Perth

Attendees	Class	Comment
Allan Dawson	Chair	
Erin Stone	Compulsory – IMO	
Dean Sharafi	Compulsory – System Management	(2:00 PM - 4:00 PM)
Brad Huppatz	Compulsory – Synergy	Proxy
Fiona Bishop	Compulsory – Western Power	Proxy
Wendy Ng	Compulsory – Generator	
Shane Cremin	Compulsory – Generator	
Richard Wilson	Compulsory – Customer	Proxy
Steve Gould	Compulsory – Customer	
Geoff Gaston	Compulsory – Customer	
Geoff Down	Discretionary – Contestable Customer	Proxy
Ray Challen	Minister’s Appointee – Small Use Consumer Representative	(2:00 PM - 4:00 PM)
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	

Apologies	Class	Comment
Will Bargmann	Compulsory – Synergy	Proxy attended
Matthew Cronin	Compulsory – Western Power	Proxy attended
Andrew Stevens	Compulsory – Generator	
Michael Zammit	Compulsory – Customer	Proxy attended
Peter Huxtable	Discretionary – Contestable Customer	Proxy attended
Simon Middleton	Minister’s Appointee – Observer	

Also in attendance	From	Comment
Brendan Clarke	System Management	Presenter (2:00 PM - 4:00 PM)
John Rhodes	Alinta Energy	Observer
Ignatius Chin	Bluewaters Power	Observer
Ross Davies	Western Power	Observer
Chi Hong	Tesla	Observer
Martin Maticka	IMO	Observer (3:10 PM - 3:45 PM)
Ray Grasso	ThoughtWorks	Presenter (3:10 PM - 3:45 PM)
Peter Shardlow	IMO	Presenter
Ben Connor	IMO	Observer (2:00 PM - 3:30 PM)
Caroline Cherry	IMO	Observer and Minutes
Jessica l'Anson	IMO	Observer (2:00 PM - 3:30 PM)
Katelyn Rigden	IMO	Observer
Neetika Kapani	IMO	Observer
Greg Ruthven	IMO	Observer
Jenny Laidlaw	IMO	Observer

Item	Subject	Action
1.	<p>Welcome</p> <p>The Chair opened the meeting at 2:00 PM and welcomed all members to the 84th Market Advisory Committee (MAC) meeting.</p> <p>The Chair noted that Agenda Item 8 was included following a request from some MAC members to get a better understanding of constrained market models and suggested that this item be moved to the end of the agenda to allow those who had heard the presentation before to leave early. MAC members agreed.</p>	
2.	<p>Meeting apologies/attendance</p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> • Will Bargmann • Matthew Cronin • Andrew Stevens • Michael Zammit • Peter Huxtable • Simon Middleton <p>The following proxies were noted:</p>	

	<ul style="list-style-type: none"> • Brad Huppatz • Fiona Bishop • Richard Wilson • Geoff Down <p>The following presenters and observers were noted:</p> <ul style="list-style-type: none"> • Brendan Clarke (Presenter – System Management) • John Rhodes (Observer – Alinta Energy) • Ignatius Chin (Observer – Bluewaters Power) • Ross Davies (Observer – Western Power) • Chi Hong (Observer – Tesla) • Martin Maticka (Presenter – IMO) • Ray Grasso (Presenter – ThoughtWorks) • Peter Shardlow (Presenter – IMO) • Ben Connor (Observer – IMO) • Caroline Cherry (Observer and Minutes – IMO) • Jessica l’Anson (Observer – IMO) • Katelyn Rigden (Observer – IMO) • Neetika Kapani (Observer – IMO) • Greg Ruthven (Observer – IMO) • Jenny Laidlaw (Observer – IMO) 	
<p>3.</p>	<p>Minutes of previous meeting</p> <p>The minutes of meeting No 83 held on 12 August 2015 were circulated to members prior to the meeting. No further comments were made.</p> <p><i>Action Point: The IMO to publish the minutes as final on the Market Web Site.</i></p>	<p>IMO</p>
<p>4.</p>	<p>Actions arising</p> <p>The Chair invited Ms Erin Stone to update the MAC on the actions. Ms Stone noted the following updates:</p> <ul style="list-style-type: none"> • Actions 47 and 55 remained open. Western Power was providing an update to the MAC on the Competing Applications Groups under Agenda Item 9. • Actions 9 and 15 related to progressing Rule Change Proposals and have therefore been deferred. • Action 27: related to the costings and plan for the integration of System Management into the IMO. The IMO was providing an update on the progress to date under Agenda Item 7. • Action 28: related to the deferral of the five-yearly reviews. The IMO was preparing a paper for the Electricity Market Review (EMR) Steering Committee’s consideration. • All other actions had been completed. 	

5.	<p>Progression of Rule Change Proposals</p> <p>Ms Stone took the paper as read and noted that the Rule Change Proposal: Specific Transition Provisions for the 2015 Reserve Capacity Cycle (RC_2015_05) commenced on 1 September 2015.</p>	
6.	<p>Discussion: Electricity Market Review</p> <p>The Chair invited Dr Ray Challen to provide an update on the progress of the EMR. The following points were discussed:</p> <ul style="list-style-type: none"> • Dr Challen noted that Network Regulation was a key focus of the EMR Program Management Office (PMO), which was working towards the commencement of drafting for the National Electricity Law (NEL) Application Act by mid-October 2015. It was noted that a number of policy decisions would need to be made by the Government and those would have an impact on the legislative package. <p>Dr Challen noted work was being done to see what provisions under the National Gas Law and NEL needed to be adopted and where there were specific state issues that required derogations away from the national framework. An example of this under the NEL was the specifications relating to network quality and reliability of supply, which needed to be further explored considering the differences between the state and national framework requirements. Dr Challen expected that the drafting instructions for the legislative package would be completed by mid-October 2015, with Government approval in early November and an exposure draft for public consultation released in February 2016.</p> <ul style="list-style-type: none"> • Dr Challen noted that work was being progressed on the transitional arrangements for the economic regulation of Western Power under the NEL. Dr Challen noted that there would be a gap between when the final determination by the ERA lapses and when the first determination by the Australian Energy Regulator (AER) applies, and that the EMR Steering Committee to this matter, which is currently being explored by the PMO. • Dr Challen noted regarding the System Management transfer that defining the functions of the system operator was key, as was keeping those functions as consistent with the National Electricity Rules (NER) as much as possible. • Regarding the Rule Change Assessment Panel (RCAP), Dr Challen noted that the PMO was in the process of developing a final position to put to Government for consideration and that the PMO are hoping to have a final position for the EMR Steering Committee's consideration in late October 2015. • Dr Challen noted that the Wholesale Electricity Market (WEM) Improvements work stream was in the process of developing a position paper on the Reserve Capacity Mechanism (RCM). The position paper would set out the medium to long-term direction for the capacity mechanism as well as considering what transitional arrangements would be required. Dr Challen suggested that the position paper would include an option for some form of a capacity auction, as well as options for the treatment of demand-side capacity resources. It is expected to be released for public consultation in early November 2015. 	

- Dr Challen noted that the Energy Market Operations and Processes work stream was hoping to release a position paper in November 2015 and that paper would cover economic considerations including the implementation of a constrained market model, and the co-optimisation of energy and ancillary services.
- Dr Challen noted that consideration was still being given to retail market arrangements and work was still being undertaken on whether or not to adopt the national framework for retail markets and consumer protection. He noted that work was also being undertaken on a retailer-neutral concession and subsidies framework.
- Dr Challen noted that with multiple position papers set to be released in or around November, and due to the closeness of the Christmas period, the PMO would ensure ample opportunity would be provided to stakeholders to make submissions.
- Mr Geoff Gaston queried whether the RCM consultants would be meeting with stakeholders prior to the release of the position paper. Dr Challen responded that the position paper would be released first in order to provide scope for the consultations.
- Dr Steve Gould queried what the timeframes were for the retail market matters. Dr Challen responded that the Government was not in a position to make a decision on the timeframes or policy considerations at this point, but that the PMO were working towards implementation by 1 July 2018. Dr Gould further queried the timeframe for the regulatory framework. Dr Challen responded that a decision by Government would need to be made in early 2016. Dr Gould queried whether there would be consultation on the regulatory framework. Dr Challen responded that he would expect a position paper to be released on this at some point.
- Mr Shane Cremin queried whether Opposition views on the EMR were known and if they were supportive of the reforms. Dr Challen noted that the Opposition had only been vocal against moving network regulation to the AER, but had been silent on the other matters. Mr Richard Wilson noted that at recent functions the Opposition had tried not to publicly commit on EMR matters. Mr Wilson further noted that industry involvement in the EMR reforms is key to them being progressing in the event of a change of Government. Dr Challen noted that industry was being utilised as much as possible.
- The Chair queried on behalf of MAC members what further involvement the MAC could expect, for example with regard to the RCAP. Dr Challen responded that whether further engagement on RCAP would be required from MAC was something that would be put to the EMR Steering Committee for consideration.
- Mr Gaston queried whether the RCM Rule Change Proposal would be passed in time to apply to the 2015 and 2016 Reserve Capacity Cycles. Ms Stone noted that Rule Change Proposal including drafting would need to be in the process by the end of December 2015 at the latest to be progressed under the Standard Rule Change Process. Dr Challen responded that the rules for the next Reserve Capacity Cycle, which are required for the first transitional year, would need to be ready for the 2015 cycle but noted that the 2016 cycle may be deferred. Mr Gaston queried whether the transitional arrangements would be able to be progressed quickly, noting that this could leave the

	<p>market with a lot of uncertainty. Dr Challen noted that the RCM position paper would cover both interim and long term rule change options. Mr Gaston queried what the timeframe for transition would be. Dr Challen responded that it would be two capacity cycles.</p> <ul style="list-style-type: none"> • Dr Gould queried whether the Wholesale Market Objectives were still being considered as part of the EMR process. Dr Challen noted that this had been raised with the Government but no decision had been made. Dr Gould queried whether a decision on this would have an impact on the timeframes for all the work streams. Dr Challen responded that the Wholesale Market Objectives would stand as they were until they were replaced by something else. 	
7.	<p>Presentation: System Management transfer update</p> <p>The Chair provided an update on the progress of the transfer of System management from Western Power to the IMO. The following points were discussed:</p> <ul style="list-style-type: none"> • The Chair noted that phase one of the due diligence for the System Management transfer had been completed. The Chair noted that the aim of that phase was to explore, at a high level, the boundary between the System Management and Western Power and to benchmark the current functions of System Management against the functions of system operators in other jurisdictions. The outcomes of this were jointly presented by the IMO and Western Power to the EMR Steering Committee. The Chair noted that the IMO received a letter of comfort from the Public Utilities Office to secure funding for those two pieces of work and that another letter of comfort was expected to be granted for a boundaries workshop. • The Chair noted that the accountability for System Management’s functions could not be delegated, however certain functions and tasks could be. The Chair further noted that a high level agreement had been achieved between the IMO and Western Power in respect of the functions and tasks that should be delegated and that the concept of an ‘operational zone’ had been agreed, whereby the operation of the system in this zone would be delegated by the IMO to Western Power, noting however that the final details still needed to be worked through. • The Chair noted that the anticipated date for transfer was 1 July 2016. • Mr Cremin queried the status of the Technical Rules and Dr Gould further queried whether changing to the NER would have an impact on those. Dr Challen clarified that the Technical Rules sit under the Electricity Networks Access Code and therefore would no longer have a head of power after the adoption of the NER. The Chair responded that there was a timing difference and the System Management transfer would occur before the network regulation changes which were expected to be in 2018. The Chair noted that the IMO was looking into whether it was appropriate to move some of the Technical Rules into the WEM Rules, but that there was also a need to look at finding an appropriate place to incorporate the remaining Technical Rules which were not currently covered by the NER. The Chair further noted that a lot of work was still required in order to determine this. 	

<p>8.</p>	<p>Presentation: Overview of constrained market models</p> <p>The Chair presented an overview of constrained market models. The following points were discussed:</p> <ul style="list-style-type: none"> • The Chair noted that when the New Zealand (NZ) market was designed there was a geographic constraint between where energy was generated and where it was consumed. The Chair further noted that there was a history of underinvestment in the energy market, particularly the networks. • The Chair noted that NZ had introduced a constrained grid with locational marginal-cost pricing in order to send the right price signals for demand and supply, and to ensure that the development of new generation would occur closer to the demand centres. • The Chair noted that when the NZ market was implemented, locational price differentials were created. This prompted a number of generation facilities to build closer to demand. The system manager calculated the average price to generate electricity, then applied an algorithm to calculate the marginal price of delivery, taking into account price differentials between locations. In the NZ market the system manager modelled all the market outcomes, including line flows and losses. The Chair noted that locational price differentials could play a part in future demand side participation. • Mr Cremin queried what the Value of Lost Load (VoLL) in the NZ market was. The Chair responded that there was no maximum VoLL amount. Mr Cremin queried what happened to the price when there was a hydro shortage. The Chair noted that it never reached the maximum price but it did get quite expensive. • Mr Gaston questioned how a market participant would hedge with locational marginal pricing. The Chair responded that the price differentials in Singapore were not that large. Ms Jenny Laidlaw also responded that there would be no difference to how a market participant would currently hedge their constraint payments. Mr Gaston responded that the customer would not get a fixed price. The Chair noted the question would arise, if all loads' prices were averaged and all generators were paid locational marginal value prices, of what would happen if you had a large load next to a generator and they received different pricing. The Chair noted that you would not want the price to be netted off if the facilities are owned by the same company, but that what could be done would be to set a threshold (i.e. of 20 MW) where any load above that threshold situated near a generator would receive the locational marginal price, thus alleviating any differential for a large load located right next to a generator. Mr Ruthven noted that two factors would drive the prices, one was the loss factor within the half hour trading intervals (as opposed to an annual average) and secondly if a constraint was binding. Mr Gaston queried how this would be applied. Mr Ruthven responded that the differential price would come through during the settlement process. 	
<p>9.</p>	<p>Presentation: Update on Competing Applications Groups (CAGs)</p> <p>The Chair invited Ms Fiona Bishop to present on the recent progress of the CAGs. The following points were discussed:</p>	

	<ul style="list-style-type: none"> Mr Gaston queried the IMO's view of when a generator was constrained and they had to change their balancing submission and whether that was considered an Outage. The Chair responded that if they were an intermittent generator they just had to change their offer in the market and they were not penalised for an Outage. Mr Gaston queried whether the constraints would have an effect on capacity. The Chair noted that it could have an effect, and that the IMO had an obligation to assess those providers who may be constrained, for example by the network. Ms Stone noted that this was already done with the IMO assessing the runback schemes through the certification process. The Chair further noted that the proposal was that under the connection agreement, the generator would be told that they cannot generate beyond a certain limit, and that therefore the agreement would be an off-market agreement. Ms Bishop confirmed that consent to this arrangement was a condition set out in the network access agreements. Mr Cremin queried whether there was a distinction between a higher risk state and a pre-contingent state. Mr Dean Sharafi noted that System Management takes pre-emptive action and was able to consider what needed to occur, or what should be occurring, six hours ahead of time. The Chair further noted that nothing in the CAGs limited System Management's ability to operate the system in real time. Mr Cremin queried what the decision making framework was. Mr Sharafi responded that System Management could be more conservative but tended to look for realistic solutions and further noted that there were rules around the decision process. The Chair noted that it was up to Western Power to task System Management in administering the CAG arrangements. <p><i>Action Point: The IMO to publish Western Powers presentation on the update of the CAG process on the Market Web Site</i></p>	IMO
10.	<p>Presentation: 2015 Ancillary Services Plan and Report</p> <p>The Chair invited Mr Brendan Clarke to present. The following points were discussed:</p> <ul style="list-style-type: none"> Ms Stone queried whether there was a facility in Geraldton that should be attributed to providing dispatch support. Mr Clarke responded that there was a facility in Geraldton but it had not been operating. The Chair queried whether that equated to zero costs for the Geraldton facility. Mr Clarke responded that was correct. Mr Gaston queried who, if Mungarra was running all the time, assessed whether it was providing a network support or dispatch support service. Mr Clarke responded that it was System Management but noted that there were no Network Control Services contracted and that the contract was to provide Dispatch Support Services. Mr Gaston queried why it was not considered a Network Control Service. Ms Elizabeth Walters reiterated that there were no contracts for Network Control Services. Mr Gaston queried who should bear the cost. The Chair queried whether the service was alleviating a system issue, or whether it was avoiding required investment by Western Power to improve the network. Mr Clarke responded that System Management managed the contract for the services but whether the contract should be there in 	

	<p>the first place was not a decision for System Management. Ms Stone queried who had signed the contract. Mr Clarke noted the contract had been signed at the start of the market. Mr Brad Huppatz clarified that the contract had been signed after the start of the market with System Management and the ERA's approval to compensate Synergy for their generation.</p> <ul style="list-style-type: none"> • Ms Bishop clarified whether Mr Gaston's query was whether the services that were being used were to avoid network augmentation. Mr Cremin said yes and noted that it would affect who ultimately paid for the service. Ms Bishop noted that Western Power would find out and report back to MAC. • The Chair queried whether network investment had reduced the cost of ancillary services. Mr Clarke responded that it appeared so. • Ms Stone queried why the procurement of system restart services had not been achievable in one region. Mr Clarke responded that System Management went out to tender but had not received any responses within that region. Ms Stone queried why another tender process had not occurred during the four year period. The Chair further queried if the terms of the tender had been altered since the initial approach for tender. Mr Clarke responded that System Management had approached the Supplier of Last Resort to undertake the services and the current tender process underway has changed the terms of offer. Ms Stone queried whether, if the market had been operating securely without three system restart services, the requirement still existed. Mr Clarke responded that in the review undertaken by Ernst and Young it was recommended that three facilities in three geographic regions should be engaged to provide system restart. • Mr Huppatz asked whether the contract was for five or ten years. Mr Clarke noted that an option of extended the contract terms to ten years was being considered. • Mr Ruthven queried whether any technical requirements under the terms of offer had been altered. Mr Clarke responded that one change had occurred, requiring the restart facility to be able to produce 50MW which was higher than the previously required 20MW. <p><i>Action Point: Western Power to research find out whether the services currently provided under Dispatch Support Service contracts are required to avoid network augmentation and report back on those findings to MAC.</i></p> <p><i>Action Point: The IMO to publish System Management's presentation on the 2015 Ancillary Services Plan and Report on the Market Web Site.</i></p>	<p>Western Power</p> <p>IMO</p>
<p>11.</p>	<p>Presentation: Data visualisations</p> <p>The Chair introduced Mr Ray Grasso to present. The following points were discussed:</p> <ul style="list-style-type: none"> • Mr Gaston queried whether the data to create the visualisations was publicly available. Mr Martin Maticka responded that the data was available on the Market Web Site under the Market Data section. • Mr Grasso noted that the new visualisations should be live on the Market Web Site by the end of September 2015. 	
<p>12.</p>	<p>Presentation: Enhancing forecasting capabilities in the IMO</p>	

	<p>The Chair invited Mr Peter Shardlow to present on enhancing the IMO's forecasting capabilities. The following points were discussed:</p> <ul style="list-style-type: none"> • Mr Gaston queried how the IMO was getting access to the solar PV data. The Chair responded that the IMO had been getting information from various sources and it had quite a detailed break-down of solar PV infiltration by postcode. Mr Gaston further queried whether the information was aggregated. The Chair confirmed that it was geographically aggregated. • Mr Sharafi noted that there were 10 weather stations that System Management used to determine PV output which were aggregated and used to project the amount of output for the SWIS. Mr Shardlow noted that the IMO was working with personnel from Western Power and System Management on this. Mr Sharafi queried what model was being used for the long term demand forecasting. Mr Shardlow responded that it was a repurposed model from Monash University. <p><i>Action Point: The IMO to publish the presentation on enhancing forecasting capabilities in the IMO on the Market Web Site.</i></p>	IMO
13.	<p>Working Groups update</p> <p>Ms Stone noted there were no changes to the membership of the Working Groups and that the Working Groups had not met since the last MAC update.</p>	
14.	<p>General business</p> <p>Ms Stone noted that the Australian Energy Market Commission (AEMC) and the Australian Bureau of Statistic (ABS) would be holding a Stakeholder Workshop on Wholesale Gas Price Index at the IMO offices on 14 September 2014. MAC members requested that the information be circulated. Ms Stone agreed to provide further information to MAC members.</p> <p><i>Action Point: The IMO to email MAC members the details of the workshop and the additional information provided by the AEMC and ABS.</i></p>	IMO
15.	<p>Next meeting</p> <p>The next meeting will be held on Wednesday 14 October 2015.</p>	
16.	<p>Close</p> <p>The Chair declared the meeting closed at 5:00 PM.</p>	



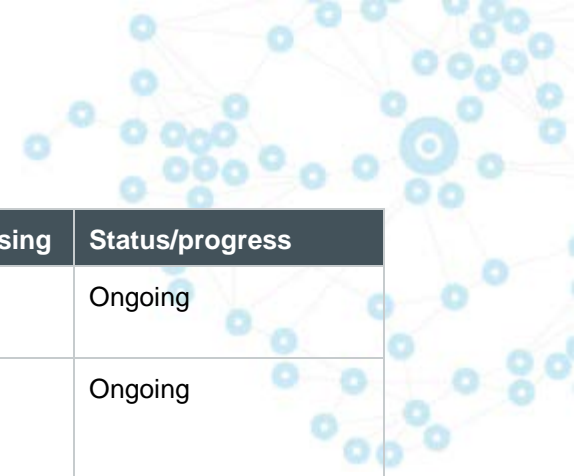
Agenda Item 4: 2015 MAC Action Items

MAC Meeting 14 October 2015

Table 1: Legend

Shaded	Shaded action points are actions that have been completed since the last MAC meeting.
Unshaded	Unshaded action points are still being progressed.
Missing	Action items missing in sequence have been completed from previous meetings and subsequently removed from log.

#	Year	Action	Responsibility	Meeting arising	Status/progress
47	2014	The IMO to canvass MAC members' feedback on the proposal to expedite Ancillary Services procurement processes at a later date to assess if it should be progressed further.	IMO	September	
55	2014	Western Power to provide an update of its progress with respect to the CAG process at the February 2015 MAC meeting.	Western Power	December	Ongoing
9	2015	The IMO to resubmit the Rule Change Proposal: Incentives to Improve Availability of Scheduled Generators (RC_2013_09) as a priority following the outcomes of the EMR if appropriate.	IMO	February	Deferred
15	2015	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.	IMO	March	Deferred



#	Year	Action	Responsibility	Meeting arising	Status/progress
27	2015	The IMO to present costing and plan for the transfer of System Management to the IMO once the due diligence is complete.	IMO	June	Ongoing
28	2015	The IMO to update MAC members on the outcome of the discussion with the EMR Steering Committee on the proposed deferral of the two upcoming five yearly reviews.	IMO	June	Ongoing
36	2015	The IMO to publish the minutes from MAC meeting No. 83 on the Market Web Site.	IMO	September	Complete
37	2015	The IMO to publish the presentation from Western Power on the Competing Applications Group.	IMO	September	Complete
38	2015	Western Power to research and find out whether the services currently provided under Dispatch Support Service contracts are required to avoid network augmentation and report back on those findings to MAC.	Western Power	September	
39	2015	The IMO to publish the Ancillary Services Plan and Report presentation on the Market Web Site.	IMO	September	Complete
40	2015	The IMO to publish the presentation on enhancing forecasting capabilities in the IMO on the Market Web Site.	IMO	September	Complete
41	2015	The IMO to email MAC members the details of the workshop and additional information regarding the Australian Energy Market Commission and the Australian Bureau of Statistics' stakeholder workshop on the Wholesale Gas Price Index.	IMO	September	Complete



Proposed changes to non-active Balancing Facility condition

MAC Meeting: 14 October 2015

1. Background

Participation in the Balancing Market is mandatory for all Balancing Facilities. Each Scheduled Generator and Non-Scheduled Generator for each Market Generator and each Stand Alone Facility in the case of Synergy is classified as a Balancing Facility.

Generally, these Facilities must meet certain technical and communication criteria regarding their ability to receive, confirm, implement and respond to electronic Dispatch Instructions from System Management. The specific requirements for Balancing Facilities are outlined in the Market Procedure: Balancing Facility Requirements.

A Market Generator must ensure that each of its Balancing Facilities with a rated capacity equal to or greater than 10 MW meet these requirements. If a Balancing Facility, including a Balancing Facility with a rated capacity of less than 10 MW, does not meet the relevant requirements the IMO may impose conditions on the manner in which that Balancing Facility must participate in the Balancing Market.

In practice, the IMO has applied a classification to all Balancing Facilities that comply with the Balancing Facility Requirements of “active” and those that do not comply as “non-active”. This classification is maintained by the relevant Market Generator through Standing Data in the Wholesale Electricity Market System (WEMS) Market Participant Interface (MPI) which is approved by the IMO.

Active Balancing Facilities are not restricted in their bidding ability, and can adjust their balancing offers in the Balancing Market subject to the Wholesale Electricity Market Rules (Market Rules). Non-active Balancing Facilities are subject to a standard condition which specifies that they may only offer quantities at the relevant price caps and restricts the times at which a Balancing Submission may be made.

The IMO proposes to update the condition imposed on non-active Balancing Facilities.

2. Current non-active Balancing Facility condition

The current condition¹ imposed on non-active Balancing Facilities by the IMO in accordance with clause 7A.1.11 of the Market Rules states:

Balancing ‘Non-Active’ facilities must offer their Resource Plan at the minimum STEM price in their Balancing offer, and the remaining capacity must be offered only at the

¹ In accordance with clause 7A.1.13 of the Market Rules, this condition is published on the IMO website at <http://www.imowa.com.au/home/electricity/market-participants/facility-information/balancing-market-participation>.

respective facility price cap. Balancing 'Non-Active' facilities may only deviate from this condition and change their balancing submissions where required to do so to comply with an Operating Instruction from System Management.

3. Issues with current condition

The IMO recently undertook a targeted compliance review of Market Participants' obligation to update Balancing Submissions after Balancing Gate Closure. During this review, the IMO identified two main issues regarding the condition imposed on non-active Balancing Facilities.

These issues related to inconsistencies between the non-active Balancing Facility condition and the Market Rules that create restrictions on how non-active Balancing Facilities can alter their Balancing Submissions.

The two issues are:

1. The condition is inconsistent with, and takes precedence over clause 7A.2.10 of the Market Rules². The condition states that a Market Participant may “only change their Balancing Submission where required to do so to comply with an Operating Instruction from System Management”. Clause 7A.2.10 of the Market Rules, however, requires a Market Participant to update a Balancing Submission for a Facility after Balancing Gate Closure due to an Internal Constraint, External Constraint or receiving an Operating Instruction.

The current condition restricts the ability of Market Participants to update a Balancing Submission for non-active Balancing Facilities in the above scenarios both before and after Balancing Gate Closure. Further, it restricts the ability of Market Participants with Non-Scheduled Generators to update a Balancing Submission for a Facility to reflect more accurate forecast quantity information. These updates are important to ensure accuracy of the Forecast Balancing Merit Order and Forecast Balancing Price.

2. The current condition makes reference to a Facilities Resource Plan quantities. The primary purpose of Resource Plans was, prior to the implementation of the Balancing Market, to determine the dispatch of Independent Power Producer (IPP) Facilities. However, the Balancing Market operates as a gross dispatch pool and so Resource Plans are no longer used for that purpose. Accordingly, there is no reason to reference Resource Plans in the condition.

Further, there is currently a Rule Change Proposal (RC_2014_06) which proposes to remove the requirement for Market Participants to submit Resource Plans.

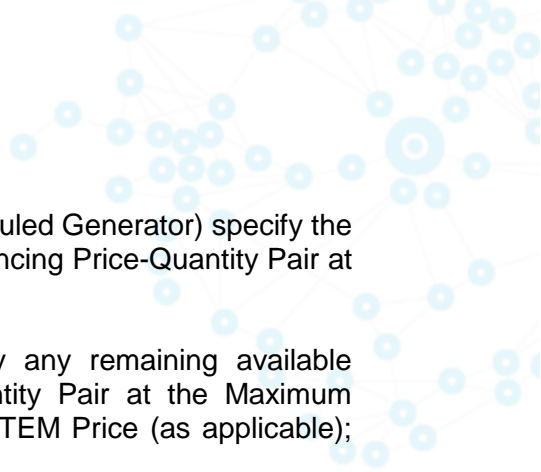
4. Proposed updated condition

The IMO proposes to update the condition imposed on non-active Balancing facilities. The proposed update does not change the intent of the current condition; Market Participants with non-active Balancing Facilities are still restricted regarding the prices at which they can specify in their Balancing Submissions and the time at which they can make and update Balancing Submissions.

² In accordance with clause 7A.1.12 of the Market Rules, in the event that any condition imposed on a Balancing Facility under clause 7A.1.11 is inconsistent with another clause in the Market Rules, the condition is to be given effect.

The proposed non-active Balancing Facility condition is as follows:

1. Condition
 - 1.1. This condition applies for the purposes of clause 7A.1.11 of the Market Rules.
 - 1.2. This condition applies to each Market Participant who has a non-active Balancing Facility.
 - 1.3. For the purposes of this condition, a non-active Balancing Facility is one that the IMO has determined does not meet the Balancing Facility Requirements as specified in steps 2.1.1 to 2.1.4 of the Balancing Facility Requirements Market Procedure.
2. Balancing Submissions
 - 2.1. A Market Participant must ensure that each Balancing Submission that it makes in respect of a non-active Balancing Facility:
 - (a) (for a Scheduled Generator or a Non-Scheduled Generator) specifies the expected generation quantity in a Balancing Price-Quantity Pair at the Minimum STEM Price;
 - (b) (for a Scheduled Generator only) specifies any remaining available capacity in another Balancing Price-Quantity Pair at the Maximum STEM Price or the Alternative Maximum STEM Price (as applicable); and
 - (c) (for a Scheduled Generator only) specifies any unavailable capacity in another Balancing Price-Quantity Pair as “unavailable”.
3. Updating Balancing Submissions before Balancing Gate Closure
 - 3.1. A Market Participant who has made a Balancing Submission in respect of a non-active Balancing Facility **must** update that Balancing Submission before Balancing Gate Closure as soon as practicable after becoming aware that:
 - (a) the Balancing Submission is inaccurate in respect of a Trading Interval for which Balancing Gate Closure has not occurred;
 - (b) the Balancing Submission is inaccurate because the non-active Balancing Facility will not generate the expected generation quantity in that Trading Interval; and
 - (c) the reason for the inaccuracy is that:
 - (i) the non-active Balancing Facility will be affected by an Internal Constraint or an External Constraint in that Trading Interval; or
 - (ii) the Market Participant has received an Operating Instruction in respect of that Trading Interval.
 - 3.2. The updated Balancing Submission (for the purposes of paragraph 3.1 of this condition) must:

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- (a) (for a Scheduled Generator or a Non-Scheduled Generator) specify the new expected generation quantity in a Balancing Price-Quantity Pair at the Minimum STEM Price;
 - (b) (for a Scheduled Generator only) specify any remaining available capacity in another Balancing Price-Quantity Pair at the Maximum STEM Price or the Alternative Maximum STEM Price (as applicable); and
 - (c) (for a Scheduled Generator only) specify any unavailable capacity in another Balancing Price-Quantity Pair as “unavailable”.
 - 3.3. A Market Participant with a Non-Scheduled Generator **may** update a Balancing Submission before Balancing Gate Closure, by changing the quantities in the Balancing Price-Quantity Pairs, so as to reflect more accurate forecast quantity information.
 - 3.4. A Market Participant must not update a Balancing Submission before Balancing Gate Closure for a reason that is unrelated those specified in paragraph 3.1(c) or paragraph 3.3 of this condition.
 4. Application of this condition and the Market Rules
 - 4.1. For the purposes of clause 7A.1.12 of the Market Rules:
 - (a) paragraphs 3.1 and 3.3 of this condition are inconsistent with clause 7A.2.8 of the Market Rules; and
 - (b) paragraph 3.4 of this condition is inconsistent with clause 7A.2.2 of the Market Rules.
 - 4.2. Paragraphs 3.1, 3.3 and 3.4 of this condition are to be given effect notwithstanding those inconsistencies.
 - 4.3. Each Market Participant who has a non-active Balancing Facility must comply with the Market Rules except to the extent specified in paragraphs 3.1, 3.3 and 3.4 of this condition.

5. Next steps

The IMO will:

- publish the proposed changes to the non-active Balancing Facility condition on the IMO website in early November with an invitation for submissions over a period of four weeks;
- consider any feedback received and incorporate as appropriate; and
- publish the final condition on the IMO website and notify Market Participants the date at which the condition will take effect.