



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 separation between locational prices, one was the loss factor within the half hour trading interval (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 Power's 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 Huppertz 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 company that was effectively the supplier of last resort to undertake the services and the current tender process underway had 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 Huppertz 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 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.</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. 	

12.	<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>	