

Rules Development Implementation Working Group

Minutes

Meeting No.	4
Location:	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
Date:	Monday 11 October 2010
Time:	Commencing at 9.05 am to 2.10 pm

Attendees	
Allan Dawson	IMO (Chair)
John Rhodes	Market Customer
Corey Dykstra	Market Customer
Steve Gould	Market Customer
Geoff Gaston	Market Customer (proxy for Patrick Peake)
Andrew Everett	Market Generator
Shane Cremin	Market Generator
Andrew Sutherland	Market Generator
Phil Kelloway	System Management
Chris Brown	ERA
Paul Hynch	Office of Energy
Jenny Laidlaw	Minutes
Jim Truesdale	Presenter
Greg Thorpe	Presenter
Troy Forward	Observer
Douglas Birnie	Observer
William Street	Observer
Kieran Lee	Observer
Jacinda Papps	Observer
Apologies	
Patrick Peake	Market Customer

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the 4th meeting of the Rules Development Implementation Working Group (RDIWG) at 9.05 am. An apology was received from:</p> <ul style="list-style-type: none"> Patrick Peake – Market Customer. 	

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2.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of RDIWG Meeting No. 3, held on 30 September 2010, were circulated prior to the meeting.</p> <p>The following amendments were agreed:</p> <p><u>Page 2: Section 1: Welcome and Apologies/Attendance</u></p> <ul style="list-style-type: none"> • “Andrew Everett – Market CustomerGenerator” <p><u>Page 4: Section 3: Realignment of Scheduling Day Timelines</u></p> <ul style="list-style-type: none"> • “Action Point: The IMO to consider whether Verve Energy should also be providing Resource Plans to the IMO.” <p><u>Page 4: Section 4: Presentation on Balancing Price Formation</u></p> <ul style="list-style-type: none"> • “In relation to formation of the balancing price, it was ... Following discussion of these issues, and also the respective roles of DDAP/UDAP and the compliance regime in relation to Resource Plan adherence, the RDIWG: <ul style="list-style-type: none"> ○ asked if analysis could be undertaken to assess the extent to which MCAP and clean price differences were due to inclusion of IPP offers in the MCAP price curve versus potential inconsistencies between the calculation of the Relevant Quantity and quantities included in STEM offers; ○ agreed that inconsistency between quantities included in Relevant Quantity calculation and the MCAP price curve should be addressed; ○ agreed <u>in principle</u> that, conditional upon achieving competition in the provision of the balancing services, the balancing price curve should only include balancing resources (i.e. clean pricing); and ○ agreed <u>in principle</u> that DDAP/ UDAP should be removed, or set to lower levels, better reflecting impacts on balancing requirements. <p><u>The RDIWG discussed whether the introduction of clean pricing should be conditional upon achieving competition in the provision of balancing services and whether the removal or reduction of DDAP/UDAP could be progressed earlier. The RDIWG acknowledged the IMO’s recommendation that these changes should not be pursued in isolation.”</u></p> <p>Subject to the agreed amendments, the RDIWG endorsed the minutes as a true and accurate record of the meeting.</p> <p><i>Action Point: The IMO to amend the minutes of Meeting No. 3 to reflect the points raised by the RDIWG and publish on the website as final.</i></p> 	IMO
3.	ACTIONS ARISING	

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	<p>The actions arising are either complete or on the meeting agenda. The following exceptions were noted:</p> <p>Item 3: Mr Phil Kelloway proposed to give a presentation to the RDIWG later in the meeting, subject to agreement by Verve Energy to the use of its historical data.</p> <p>Item 8: The IMO is arranging to meet with the Bureau of Meteorology (BOM) to discuss options for the provision of weather forecasts. It was noted that the action point should refer to forecasts prior to 12.15 pm rather than 1:00 pm.</p> <p>Item 9: Ms Jenny Laidlaw advised that she had met with Mr Mark Cooper from DBP to discuss the nomination timelines for the DBNGP. It was noted that while the 4.00 pm nomination deadline is not a contractual obligation on participants, nominations are required by this time to assist DBP in its planning. At this stage the DBP timelines do not appear represent a critical barrier to changes to the Scheduling Day timeline.</p> <p>Item 11: Outstanding.</p> <p>Item 13: Underway.</p> <p>Item 15: Underway. It was noted that an initial presentation on the issue was on the meeting agenda.</p> <p>Item 17: Underway. There was some discussion about the preliminary analysis of load forecast accuracy provided by Alinta and distributed to RDIWG members prior to the meeting. It was suggested that the analysis should:</p> <ul style="list-style-type: none"> • consider the extent to which the accuracy of the load forecasts was improved by using the later BOM forecast, rather than only considering the accuracy of the current forecasts; and • focus on the potential improvements to Synergy's load forecasts, as it has most of the weather sensitive loads. <p>Item 18: Mr Kelloway advised that System Management receive wind forecasts for each location from the BOM at 2.00 am and 2.00 pm each day. The forecasts include half hourly values (probably interpolated from 4 hourly values) for wind speed and direction at 10 and 75 metres, in addition to temperature and pressure. It was agreed that the IMO should include options for wind forecast provision in its proposed discussions with the BOM, and that the relevant action point (8) for the IMO should be updated accordingly.</p> <p>Item 19: Outstanding.</p> <p>Item 20: Ms Laidlaw reported that the opening of the STEM submission window could be brought forward without difficulty. Submissions would need to be validated once the relevant outage and Ancillary Services details became available, using similar rules to those used in the conversion of standing STEM submissions. While the opening of the Resource Plan Submission window could also be</p>	

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	<p>brought forward, this does not appear to provide any practical benefit to the market as most participants will require STEM Auction results to prepare a valid Resource Plan.</p> <p>Items 21 and 22: Outstanding.</p> <p>Item 23: Underway. Alinta has started submitting gross bilateral submissions. Griffin Energy is still submitting net submissions. The IMO will follow up with Mr Peter Ryan regarding the provision of gross bilateral submissions by Griffin Energy.</p> <p>Item 24: Underway.</p> <p>Item 25: Mr Jim Truesdale advised that further analysis was being undertaken and the results would be included in a discussion paper presented at the 2 November 2010 meeting. There was some discussion around the following points:</p> <ul style="list-style-type: none"> • the impact of small Intermittent Generators, not participating in the STEM but submitting Resource Plans, on MCP formation; • whether Resource Plans should be submitted for small Intermittent Generators; • early notification to System Management of changes to large block loads, for example when a large load will be out for maintenance; • delays in the notification of Forced Outages, and their potential impact on the provision of Balancing forecasts; • whether the notification of outages should be considered in the solution space. <p>Item 26: Mr Chin Koay had advised the IMO by email that he did not recall the discussion in the last meeting on Resource Plans focusing on the benefit of Verve Energy providing Resource Plans to the IMO, or the raising of this action point. RDIWG members noted that some discussion had taken place on the question but were unsure about the action point. The action point has been removed.</p>	
4.	<p>OVERNIGHT DISPATCH ISSUES</p> <p>Mr Kelloway gave a presentation covering a series of Trading Days from October 2009 that demonstrated the current overnight dispatch issues. A copy of the presentation is available on the IMO website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • The presentation included two generators being off-line at Muja overnight. While it was quite common for one generator to be off-line at Muja during October, it is unusual for two to be off-line at the same time. If only one Muja generator had been off-line then it may have been necessary to decommit a generator. • The requirement for Muja units to operate on oil support at low generation levels makes this an expensive balancing option 	

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	<p>for the market. However, as a mix of fuels is used System Management does not have the option to instead issue Dispatch Instructions to IPP generators. No Dispatch Instructions were issued on the night of 13/14 October 2009.</p> <ul style="list-style-type: none"> • There was discussion about the stage of the STEM/balancing cycle at which the problem first became apparent, and why the problem was not remedied through the STEM. Some members suggested that the risk of uneconomic dispatch was a key issue. • On investigation it was found that, for the nights in question, the STEM price was around \$15, indicating that the problem had not been predicted in the STEM. • It was noted that both NewGen and Griffin Energy Facilities were in a position to provide balancing assistance on the nights in question. • The costs and reliability implications of decommitting steam plant were discussed. • The value of balancing price forecasts was discussed. <p>RDIWG members agreed that the solution to the problem involved bringing the units that can efficiently reduce their generation overnight into the balancing market.</p>	
5	<p>BALANCING PROVISION OPTIONS</p> <p>Mr Jim Truesdale gave a presentation on options for increasing participation in balancing support. A copy of the presentation is available on the IMO website.</p> <p>There was discussion around the following points:</p> <ul style="list-style-type: none"> • the need for facility based submissions to achieve efficient balancing outcomes, by providing the necessary connection of facility, price and quantity; • the reasons why the market was originally implemented using Portfolio based submissions; • the ability of Verve Energy to provide facility based submissions; • the ability of Verve Energy to provide increment/decrement bids by facility relative to its Net Contract Position (NCP); • the ability of IPPs to provide facility based submissions; • the trend towards IPPs providing de facto facility based submissions through the registration of distinct Market Participants for individual facilities; • how load following arrangements would work under the various balancing options; • comparison of various contractual vs physical solutions; • the issue of impractical outcomes arising from the STEM and whether a more complicated STEM is warranted; and 	

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	<ul style="list-style-type: none"> • the need for balancing forecast prices and how they could be provided. <p>It was agreed that the IMO should develop skeletal options on Balancing provision options for presentation to RDIWG members at the next meeting. RDIWG members are also to also provide details of their own ideas/suggestions to the IMO.</p> <p><i>Action Point: The IMO to develop skeletal options to support increased participation in balancing, for presentation to the RDIWG at the 2 November 2010 meeting.</i></p> <p><i>Action Point: RDIWG members to email the IMO details of their suggested options to support increased participation in balancing.</i></p> <p><i>Action Point: The IMO to investigate with Verve Energy its ability to provide Facility based submissions and Facility based increment and decrement bids (relative to Net Contract Position) for balancing.</i></p>	<p>IMO</p> <p>All</p> <p>IMO</p>
6	<p>CAPACITY COST REFUNDS</p> <p>Mr Greg Thorpe provided a presentation on Capacity Cost Refunds. A copy of the presentation is available on the IMO website. The presentation covered:</p> <ul style="list-style-type: none"> • the role of the Reserve Capacity Mechanism and its success to date in meeting its objectives; • an overview of the operation of the Capacity Cost Refund arrangements, and the incentives provided to Market Participants; • the current fixed schedule of refund weightings, and the impact of not reflecting short term variations in reserve; and • the potential to implement a more dynamic schedule of refund weightings more sensitive to actual levels of reserve, and an assessment of the possible impacts of such a change. <p>It was stressed that a guiding principle in the review and consideration of any consequential change to the Capacity Cost Refund arrangements has been that the benefits of the existing arrangements should not be compromised.</p> <p>The following points were noted/discussed:</p> <ul style="list-style-type: none"> • how the potential changes would mainly impact high refund/low refund situations where the system risk does not match the current refund level; • whether there should be changes to the minimum and maximum refund levels; • whether the refund level for a Trading Interval would be determined ex ante, ex post or by some combination of both; • the extent to which Capacity Cost Refunds affect Market Participant decisions relating to maintenance planning; 	

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	<ul style="list-style-type: none"> • the extent to which the suggested changes might affect Market Participant decisions relating to maintenance planning; • the need for Market Participants to have visibility of expected refund levels to guide their maintenance decisions, and the availability of the relevant information including details of Forced Outages and the reserve position; • the potential impact on investors of the uncertainty of a dynamic refund schedule; • whether the refund paid by a Market Participant for a small downwards deviation should be limited to reflect the actual extent of the deviation; • issues relating to obtaining approval for Planned Outages during the summer months; • whether it was appropriate for baseload generators and peakers to be subjected to the same Capacity arrangements; • how the appropriate refund levels should be determined; • the impact of rising Capacity prices on generator insurance costs; • the original rationale behind the current weightings used for Capacity Cost Refunds; • options to provide estimates of system reserve to Market Participants; and • what should be done with Capacity Cost Refund payments that are not required to fund Supplementary Reserve Capacity requirements. <p>RDIWG members agreed that the IMO should look further at the options for a more dynamic Reserve Capacity Refund mechanism.</p> <p><i>Action Point: The IMO to investigate options for a more dynamic Capacity Cost Refund mechanism and present its findings to the RDIWG.</i></p> <p><i>Action Point: The IMO to investigate the original rationale behind the current weightings used for Capacity Cost Refunds, and present its findings to the RDIWG.</i></p> <p><i>Action Point: The IMO to investigate options for the application of Capacity Cost Refund payments and present its findings to the RDIWG.</i></p>	<p style="text-align: center;">IMO</p> <p style="text-align: center;">IMO</p> <p style="text-align: center;">IMO</p>
7	<p>GENERAL BUSINESS</p> <p>There was no general business raised.</p>	
8	<p>NEXT MEETING</p> <p>Meeting No. 5 will be held on Tuesday 2 November 2010 (9.00am-2.00pm).</p>	

Item	Subject	Action
9	CLOSED: The Chair declared the meeting closed at 2.10 pm.	