

Independent Market Operator Market Advisory Committee

Minutes

Meeting No.	33
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 10 November 2010
Time:	Commencing at 12:00 pm

Attendees	Class	Comment
Allan Dawson	Chair	
Troy Forward	Compulsory – IMO	(12:00-4.45pm)
Jacinda Papps	Compulsory - IMO	Proxy (4.45-5.15pm)
Stephen MacLean	Compulsory – Customer	
Phil Kelloway	Compulsory – System Management	Proxy
Andrew Everett	Compulsory – Generator	
Peter Mattner	Compulsory – Network Operator	
Corey Dykstra	Discretionary – Customer	
Steve Gould	Discretionary – Customer	(12:00-5:10pm)
Peter Huxtable	Discretionary – Contestable Customer Representative	
Andrew Sutherland	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Chris Brown	Observer – ERA	
Michael Kerr	Small Use Consumer Representative	
Nerea Ugarte	Minister's appointee - Observer	
Apologies	Class	Comment
Ken Brown	Compulsory – System Management	
Also in attendance	From	Comment
Fiona Edmonds	IMO	Minutes
Jenny Laidlaw	IMO	Minutes
Toby Stevenson	LECG	Presenter via teleconference (12:30-1:05pm)
Jenny Riesz	ROAM Consulting	Presenter
Jacinda Papps	IMO	Presenter (12:00-4.45pm)
Ben Williams	IMO	Presenter
Greg Ruthven	IMO	Observer
Courtney Roberts	IMO	Observer
Shannon Turner	IMO	Observer
Pablo Campillos	DMT Energy	Observer
Michael Zammit	Energy Response	Observer
Alistair Craib	Colgar Windfarm	Observer via teleconference
Chin Koay	Verve Energy	Observer

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 12.00am and welcomed members to the 33rd meeting of the Market Advisory Committee (MAC).</p> <p>The Chair apologised for the large agenda but noted his appreciation of the time that both the IMO and Market Participants had dedicated to the streams of work under discussion over the last few months. The Chair specifically acknowledged the contribution of REGWG members over the past year.</p> <p>The Chair stated that most of the issues on the agenda for discussion had been presented previously in other forums and that his preference was for the MAC to not re-litigate previous decisions. The Chair acknowledged that while that papers presented today would have strong commercial impacts the MAC was required to work in the best interests of the market, as specified in the MAC Constitution. Members would be provided an opportunity to express their company's commercial positions through the Rule Change Process. The MAC needs to provide leadership for the market on these difficult strategic issues.</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>An apology was received from Ken Brown.</p> <p>The Chair noted that the IMO has just been advised that Mr Michael Kerr and Ms Nerea Ugarte had been appointed by the Minister as the representative for Small Use Consumers and as the Minister's appointee respectively.</p> <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> • Jenny Reisz (Presenter) • Toby Stevenson (Presenter) • Shannon Turner (Observer) • Pablo Campillos (Observer) • Chin Koay (Observer) • Phil Kelloway (proxy for Ken Brown) • Ben Williams (Presenter) • Jacinda Papps (Presenter) • Courtney Roberts (Observer) • Greg Ruthven (Observer) • Alistair Craib (Observer) - phone • Michael Zammit (Observer) 	
3	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 32, held on 13 October 2010, were circulated prior to the meeting.</p> <p>Ms Ugarte suggested the following amendment:</p> <p><u><i>Page 6: Section 5b: Removal of NCS Procurement from the Market Rules [PRC 2010 11]</i></u></p>	

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	<ul style="list-style-type: none"> • “ The Electricity Industry Amendments Act <u>Energy Legislation Amendments Bill</u> is currently...” <p>The following amendments were suggested by Mr Peter Huxtable:</p> <p><u>Page 8: Section 5c: Updates to Certification of Reserve Capacity [PRC 2010 14]</u></p> <ul style="list-style-type: none"> • “Mr Peter Huxtable questioned the IMO’s view on the request from participants for details of new large loads to be included in the load forecasts, <u>particularly with regard to commercial-in-confidence issues</u>” <p><u>Page 16: Section 5h: Limits to Early Entry Capacity Payments [PRC 2010 30]</u></p> <ul style="list-style-type: none"> • “ambient argument” should read “ambit claim” <p>Mr Phil Kelloway suggested the following additional amendments:</p> <p><u>Page 11: Section 5e: Providing Price Related Standing Data to System Management [PRC 2010 12]</u></p> <ul style="list-style-type: none"> • “...at this stage System Management does not use any pricing information but the recent discussions of <u>on NCS, Ancillary Services, and Balancing (RDIWG)</u> have indicated that System Management’s role may change ...” <p><u>Page 12: Section 5e: Providing Price Related Standing Data to System Management [PRC 2010 12]</u></p> <ul style="list-style-type: none"> • “Mr Kelloway noted that System Management would require adequate time to investigate <u>for investigations of incidences of Consequential Outage (both full and partial) to take place.</u>” <p><u>Page 17: Section 5h: Limits to Early Entry Capacity Payments [PRC 2010 30]</u></p> <ul style="list-style-type: none"> • “Mr Kelloway however noted that System Management have had <u>had very little experience with dispatching DSM due to the restrictions that have applied to past DSM options.</u>” <p>Mr Pablo Campillos also suggested the following amendment:</p> <p><u>Page 17: Section 5h: Limits to Early Entry Capacity Payments [PRC 2010 30]</u></p> <ul style="list-style-type: none"> • “Does not r<u>Recognises</u> that the early entry....” <p>Mr Kelloway also suggested some typographical amendments which were adopted by the IMO.</p> <p>Subject to the agreed amendments, the MAC endorsed the minutes as a</p>	

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	<p>true and accurate record of the meeting.</p> <p><i>Action Point: The IMO to amend the minutes of Meeting No. 32 to reflect the points raised by the MAC and publish on the website as final.</i></p>	IMO
4	<p>ACTIONS ARISING</p> <p>The actions arising were either complete or on the meeting agenda. The following exceptions were noted:</p> <p>Item 62: Mr Stephen MacLean questioned if there was a requirement for the letter to the Minister to be sent at the same time as the Rule Change Proposal: Curtailable Loads and Demand Side Programmes (RC_2010_29) being progressed through the formal Rule Change Process. Mr Troy Forward noted that this was not necessary, but made more sense.</p> <p>Item 78: Mr Kelloway noted that System Management had been preparing its proposal to implement a competitive Ancillary Services market in conjunction with a number of Market Participants. A presentation on the proposed solution will be made at both the next Rules Development Implementation Working Group (RDIWG) meeting and the December 2010 MAC meeting. A discussion paper will subsequently be prepared and distributed by System Management. Mr Forward noted that the RDIWG is considering adjusting significant aspects of the market, for example introducing greater competition around Balancing, and that any change to Ancillary Services would need to be considered together with the changes to Balancing. There would otherwise be a risk of divergent market structures being implemented. Mr Kelloway noted the importance of progressing the implementation of a competitive Ancillary Services market, noting a preference that this should not be held up if there is a delay in the RDIWG process.</p> <p>Mr Corey Dykstra requested that the MAC meeting for the December meeting be moved to 15 December (currently scheduled for 8 December).</p> <p><i>Action Point: The IMO to canvass the views of MAC members on moving the date for the next MAC meeting to 15 December 2010.</i></p> <p>Item 124: Mr Forward noted that the MAC was required to reconfirm its advice to extend RC_2010_24: Adjustment of Relevant Level for Intermittent Generators contingent on the outcomes of any Rule Change Proposal relating to Work Package 2. Mr Dykstra sought to clarify whether the process for RC_2010_24 would be to publish a Final Rule Change Report containing Amending Rules and that these would simply be over written prior to commencement of any Amending Rules resulting from Work Package 2 (RC_2010_25). Mr Forward agreed noting the commencement date would be 1 July 2011, which would allow for the new methodology to be taken into account during the next certification process.</p> <p>Item 132: Mrs Jacinda Papps noted that the IMO's settlements team had reviewed the concept of providing provisional invoices to Market Participants and considered it feasible. Mrs Papps noted that the IMO was seeking the views of the MAC on the importance of progressing further with this concept.</p>	IMO

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	<p>The MAC agreed that further consideration of the concept of providing provisional invoices was not currently a priority, however the MAC discussed Market Participant's providing their own estimates for the IMO to confirm when it undertakes its first settlement run. Mr Forward noted that this was an option but that the process could be complex and time consuming.</p> <p>The IMO agreed to adopt the process of reviewing Market Participants' estimates as an interim working model.</p> <p><i>Action Point: The IMO to adjust its operational practice to include reviewing Market Participants' estimates of their first settlement invoices, where appropriate.</i></p>	IMO
5	<p>RATIONALISATION OF THE INFORMATION CONFIDENTIALITY STATUS CLASSES IN THE WEM</p> <p>Mr Forward noted that at the November 2009 MAC meeting Pacific Hydro had presented on the concept of introducing greater availability of market data in the WEM. Following this presentation the IMO embarked on a significant review of information confidentiality. The IMO engaged Law and Economics Consulting Group (LECG) to review the confidentiality status classes in the Market Rules with a view to rationalisation. When undertaking its assessment LECG had regard to the guiding principles for the provision of information in the market. That is, the IMO is to maximise the number of parties that may view any information or documents, subject to the information not containing commercially sensitive or potentially defamatory information in relation to a particular Rule Participant (clause 10.2.3).</p> <p>The Chair noted that timely information helps to make markets more efficient and access to an appropriate level of information is important. The Chair stated that the current Market Rules are restrictive in nature, noting a recent example of an unintentional breach of the Market Rules by providing aggregate level information on payments for Ancillary Services to an external party.</p> <p>Mr Toby Stevenson from LECG presented via teleconference an overview of the outcomes of its assessment. A copy of the presentation is attached as Appendix 1. The following points were raised:</p> <ul style="list-style-type: none"> • Mr Dykstra questioned how the recommended arrangements would overlay with the current arrangements. Mrs Papps noted that there would be a reclassification exercise undertaken by the IMO of each type of market related information or document produced. • Mr Andrew Everett questioned if LECG had considered the basis for the current confidentiality arrangements in the WEM. Mr Stevenson responded that the current arrangements were developed early in the market and were likely driven by a concern that the release of information could impact on Market Participants' commercial interests. Mr Stevenson clarified that LECG does not consider that the complexity of the current arrangements is warranted. • Dr Steve Gould questioned whether there would be any merit in 	

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	<p>including a third category of confidential information for information that is separately classified in the Market Rules (section 4.1 of LECG's report). Mr Stevenson agreed that this variant could be adopted, noting that it would require the IMO to undertake an exercise to determine what information should be included and further consider how this category would be maintained. Mr Shane Cremin questioned if sub-clauses 10.2.3 (c) and (d) would cover this, noting that how and when this information is made available is of greater importance. Mr Forward clarified with Mr Cremin that the immediate availability of information for use by Market Participants would be beneficial.</p> <ul style="list-style-type: none"> • It was agreed that more information should be available for immediate use to assist in day ahead trading decisions and two and a half year ahead Reserve Capacity decisions. Mr Sutherland noted that currently there was a week's delay in the publication of STEM bids and offers, which impacts on the ability of Market Participants to use this information and undertake operational forecasts. Mr Stevenson noted that in the New Zealand market this information was originally made available a month after the event, causing issues for participants and resulting in a number of appeals. Following further consideration this information is now made available on the following day. Mr Stevenson noted that during this process, participants' views about whether the commercial risk of being compromised by the release of the information would be outweighed by the market benefits changed. <p>The Chair noted that aggregating information may maintain greater confidentiality levels and avoid potential pitfalls. The Chair noted that concerns about STEM bids and offers becoming available earlier could be overcome by making available an anonymous bid and offer stack to provide an opportunity for Market Participants to use these for their operational forecasting.</p> <ul style="list-style-type: none"> • Mr Cremin noted that Market Participants may make different operating decisions if they have greater visibility of operational information, for example what type of facilities will be on planned outages. Mr Kelloway noted that there is a cost associated with the provision of information which needs to be recognised. Mr Dykstra noted that as a general principle the MAC seemed to be agreeing with the proposal, but noted that the IMO would need to manage participants' expectations around what information should be made available and when. Mr Forward noted that accepting this as a recommendation would initiate the next step in the process towards greater transparency. • Mr Dykstra suggested that sub-clause 10.2.3 (g) should actually be 10.2.3 (a) as this is the most important aspect of the decision making process. • Mr Kelloway noted that there may be a danger in moving towards a more simplified process, noting that the rationale for the move was unclear. The Chair noted that at market start a number of unnecessarily complex processes were incorporated into the Market Rules to counter perceived risks many of which were not realised. 	

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	<ul style="list-style-type: none"> • Mrs Papps noted that the IMO would prepare a Pre Rule Change Discussion Paper which would include full Amending Rules. Mrs Papps noted that the IMO intended to consult directly with Market Participants on the reclassification of information into the proposed confidentiality classes. • Mr Kelloway noted that System Management is also a governance participant. The Chair apologised for the oversight and agreed that the IMO would request LECG to clarify this in the report. <p><i>Action Point: The IMO to request LECG to update the Confidentiality Status Classes in the WEM report to reflect System Management's position as a governance participant in the WEM.</i></p> <p><i>Action Point: The IMO to prepare a Pre Rule Change Discussion Paper to implement the proposed changes to the confidentiality status classes which contains the full Amending Rules and present back to the MAC for further discussion.</i></p>	<p style="text-align: center;">IMO</p> <p style="text-align: center;">IMO</p>
6a	<p>WORKING GROUP OVERVIEW</p> <p>The MAC noted the Working Group overview and agreed to the proposed change to the System Management Procedure Change and Development Working Group membership.</p> <p><i>Action Point: The IMO to update the terms of reference for the System Management Procedure Change and Development Working Group to reflect the agreed change in membership.</i></p>	<p style="text-align: center;">IMO</p>
6b	<p>MRCPWG UPDATE</p> <p>The MAC noted the Maximum Reserve Capacity Price (MRCP) Working Group update</p>	
6c	<p>REGWG FINAL REPORT</p> <p>Mr Forward noted that the REGWG's Terms of Reference required a final report for the MAC on the outcomes of its work. Mr Forward noted that the aim of the final report was to capture the context and history of the REGWG, noting that there is likely to be rigorous discussion around the Rule Change Proposals resulting from the work undertaken by the REGWG.</p> <p>Mr Dykstra noted that the report had not been endorsed by the REGWG and so suggested that the reference to the report being "from the REGWG" be removed and replaced with a reference to the report having been prepared by the IMO. The other REGWG members present at the MAC meeting agreed. Mr Dykstra also noted there are some references to the development of Pre Rule Change Discussion Papers in the report which should be removed as they are not related to the outcomes of the REGWG. The REGWG members present at the MAC meeting agreed that the REGWG Final Report provided a reasonable reflection of the outcomes of the REGWG's deliberations.</p> <p>Mr Huxtable noted that the acronyms contained in the report should be provided in full as currently the report could not be read as a stand alone document. The IMO agreed to review the report and update accordingly.</p>	

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	<p><i>Action Point: Members to provide the IMO with any specific comments on the REGWG Final Report by 3 December 2010.</i></p> <p><i>Action Point: The IMO to update the REGWG Final Report to:</i></p> <ul style="list-style-type: none"> • <i>reflect comments received from MAC members;</i> • <i>remove references to Pre Rule Change Discussion Paper's being developed by the IMO; and</i> • <i>include an explanation of any acronyms used in the report; and.</i> • <i>note that the report had been prepared by the IMO.</i> 	<p style="text-align: center;">MAC</p> <p style="text-align: center;">IMO</p>
<p>6d</p>	<p>RDIWG UPDATE</p> <p>Mr Forward noted that during the last RDIWG meeting there had been a shift towards the solution phase for the Balancing issues. The RDIWG will continue discussing the issues identified around the timing of the STEM and capacity refunds at the next meeting. The Chair noted that the suggested changes to the Scheduling Day timeline seem to be problematic. As a result, the RDIWG may need to reconsider this proposal. The Chair stated the RDIWG is making good progress at addressing the issues, noting that a workshop with all of industry will be held shortly.</p> <p>Mr MacLean noted that a broader review of the Reserve Capacity Mechanism (RCM) is required opposed to just reviewing refunds.</p> <p>Mr Forward noted that the IMO had presented a timeframe for progressing the Market Rules Evolution Plan 18 months ago which included a review of the RCM commencing mid 2011. The IMO's preference would be to maintain the agreed schedule and to undertake a more thorough consideration of the RCM after the RDIWG review had been completed. The Chair noted that this review would constitute a large piece of work and questioned if the MAC would like to incorporate this into the work being undertaken by the RDIWG or else form a separate Working Group to consider this further. Mr MacLean noted that if a full review of the RCM was not started until next year then another Capacity Year would pass before any amendments are implemented.</p> <p>Mr Cremin stated the current timelines for reviewing the RCM were appropriate, noting that serious consideration of the treatment of capacity from different types of providers and the interaction with the market objectives will be required.</p> <p>The Chair noted that the IMO Board had requested the IMO to undertake an internal review of the RCM and agreed that the IMO would present details of its recent presentation to the Board to the MAC.</p> <p><i>Action Point: The IMO to present its recent Board presentation on the RCM at the December MAC meeting.</i></p> <p>Mr Dykstra noted that realistically if a review of the RCM commenced now, a quick solution would be unlikely. Mr MacLean noted that the end user is currently encountering a cost associated with excess capacity which needs</p>	<p style="text-align: center;">IMO</p>

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	<p>to be addressed. Mr MacLean encouraged the IMO to re-prioritise the review of the RCM higher on its list, in preference to looking solely at capacity refunds. Mr Forward noted that if this review is brought forward, something else would need to drop off the current work plan. Mr Forward requested suggestions for projects that could be delayed to undertake such a review. MAC members did not identify any projects that could be delayed.</p> <p>Mr MacLean noted that customers are concerned with how capacity is currently priced as it is not open to competition and so the price is high and the volume excessive. Mr Dykstra agreed that it might be time to review the MRCP, noting that the MRCPWG had agreed that it was outside the scope of its review to consider the use of the MRCP in the market (refunds for example). The MAC needs to consider these issues with some urgency given the recent experience with supply/demand balance not being consistent with an efficient market outcome. Mr Forward noted that the IMO agreed and had raised this with its Board.</p>	
7a	<p>MARKET RULE CHANGE OVERVIEW</p> <p>The MAC noted the overview of the Market Rule Changes.</p>	
7b	<p>PARTIAL COMMISSIONING FOR INTERMITTENT GENERATORS [PRC_2010_22]</p> <p>Mr Forward noted that the Pre Rule Change Discussion Paper proposes to introduce the concept of partial commissioning of Intermittent Generators for the purposes of Capacity Cost Refunds. Mr Forward noted that this would ensure that the value of the capacity delivered by these facilities to the market is better reflected (promoting Market Objective (c)). Scheduled Generators can currently take a commercial position of entering the market and for purposes of Reserve Capacity log partial outages, thereby avoiding full capacity refunds. Mr Forward noted that the proposal does not include the provision of an expert's report, as agreed by the MAC for the purposes of the return of Reserve Capacity Security (RC_2010_12).</p> <p>The following points were raised during the discussion.</p> <ul style="list-style-type: none"> • Mr MacLean questioned why the IMO had decided to use the second highest value of output for the Facility. Mr Ben Williams clarified that this would be consistent with the need to meet requirements for two Trading Intervals for the return of RCS. • Mr Dykstra noted that this proposal would open all Intermittent Generators up to capacity refunds even if they have developed everything they had indicated in their certification application. Mr Dykstra noted that inclusion of an ability to provide an expert report to the IMO would avoid this issue. Mr Dykstra noted that otherwise an additional cost would be effectively imposed on a Market Generator if it does not meet 100 percent of its Required Level. Mr Dykstra noted that the practical outworking of this would be that the majority of participants would provide the IMO with an expert report to reduce their risks, and that this raises the question of what the proposal would achieve in practice. 	

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	<ul style="list-style-type: none"> • Mr Alistair Craib noted that the rationale behind the proposed rule change is that currently a generator needs to be fully commissioned to avoid Capacity Cost Refunds. As a result, if they did not manage to bring on all their turbines they would be unduly impacted by paying back to the market the full amount of their Capacity Credits. Mr Forward noted that a thermal plant that was not 100 percent commissioned (e.g. if one of its four mills not operating) might be able to achieve 70 percent of output whereas a Intermittent Generator would be penalised for the whole amount of its capacity not being available. The proposed amendments will create a similar type of regime where if commissioning had not been completely successful there would be a point in time where the Market Participant would be relieved from full exposure to capacity refunds. Mr Dykstra clarified that the commissioning provisions are different for a thermal plant under the Market Rules. • Mr Cremin questioned if an Intermittent Generator can state that it has completed commissioning and then register a partial outage. Mr Williams noted that this was not currently an option for an Intermittent Generator. Mr Cremin questioned if this would be an easier option. Mr Williams noted that he did not consider that this would be the case. • Mr Sutherland noted that the proposed amendments would improve the consistency with the treatment of Scheduled Generators. • Mr MacLean suggested that brackets be included around the 2 and the Max_2 in the equation for determining the amount of refund that would be required in these circumstances. Additionally, Mr MacLean suggested that the IMO clarify that the “level of output” would be achieved during a Trading Interval during the Trading Month. Mr Forward agreed. <p>The MAC agreed for the IMO to progress the Rule Change Proposal, subject to the incorporation of the agreed amendments.</p> <p><i>Action Point: The IMO to update the Rule Change Proposal: Partial Commissioning for Intermittent Generators (RC_2010_22) to:</i></p> <ul style="list-style-type: none"> • <i>clarify that the Max_2 variable is based on the “...second highest level of output achieved <u>during a Trading Interval</u> during the Trading Month...”</i> • <i>include brackets around the “$2 \times Max_2$” in the formula; and</i> • <i>reflect the ability for a Market Participant to provide the IMO with an expert report attesting that the Facility has been built in accordance with its certification specifications.</i> <p><i>Action Point: The IMO to progress RC_2010_22 through the Rule Change Process, subject to the incorporation of the agreed amendments.</i></p>	<p style="text-align: center;">IMO</p> <p style="text-align: center;">IMO</p>
7c	<p>CALCULATION OF THE CAPACITY VALUE OF INTERMITTENT GENERATION (WORK PACKAGE 2) [PRC_2010_25]</p> <p>Mr Forward noted that the Pre Rule Change Discussion Paper proposes to implement Proposal 1 from the REGWG’s Work Package 2. Mr Forward noted that there were likely to be competing views on the IMO’s proposal as there had been neither a compromise nor consensus regarding a potential solution at the REGWG. The Chair noted that the issues around the valuation of capacity from Intermittent Generators had been discussed at</p>	

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	<p>many levels, noting the large amount of work done by the REGWG.</p> <p>The following points were raised during the meeting:</p> <ul style="list-style-type: none"> • Mr MacLean noted that the REGWG had not agreed for a Rule Change Proposal to be developed at this stage. Mr Dykstra noted that it was agreed that the IMO would present a recommendation to the MAC for discussion. Mr Cremin said that the recommendation to progress the proposed solution is not appropriate at this point in time. Dr Gould disagreed stating that he had anticipated that a Rule Change Proposal would be presented to the MAC. Mr Forward clarified that the minutes from the REGWG reflected the agreement that IMO would present a solution to the MAC for consideration, noting that a Pre Rule Change Discussion Paper is not inconsistent with this. Mr Forward noted that the recommendation presented in the cover paper was intended to represent the fact that the IMO considered it would be unlikely that consensus would be achieved at the MAC. Mr Dykstra stated that the IMO should be more mindful to not imply that a decision had already been made. Mr Everett disagreed that this was an issue. • Mr Cremin questioned the imperative to push forward with a proposal given the polarised opinion on what capacity valuation methodology should be adopted. Mr Dykstra noted that further consideration of any movement from the status quo is required. • Mr Dykstra questioned what the deficiencies were in McLennan Magasanik Associates (MMA's) proposed approach. Mr Forward noted that there was a shortage of data and that System Management had a serious concern about system security under the outcomes of MMA's proposed methodology. Mr Kelloway noted that this had been discussed in detail at REGWG meetings. Dr Gould noted System Management's concern had been with Capacity Credits being allocated at greater than 20 percent of nameplate capacity as this would not represent the capacity that could be made available reliably. Mr MacLean thought that System Management had some concern about wind farms not performing. Mr Dykstra stated that the available data set had generated certain results and other than "gut feelings" about appropriate valuation levels there was no reason to not adopt MMA's approach. Mr Kelloway clarified that System Management had undertaken its own assessment which had informed its position on this. Mr Dykstra noted that the intent of the RCM is to ensure sufficient energy as well as sufficient peak capacity. Mr Cremin noted that if an Intermittent Generator was to be unavailable during peak periods the methodology presented by MMA would take this into account in assigning Capacity Credits to the facility. Mr Forward clarified that under MMA's proposed methodology the Facility's availability would be determined based on 750 Trading Intervals. • The Chair noted that the data set used does not include a one in ten year event and the lack of core data around these extreme events has had a powerful influence on the IMO's considerations. • Mr Dykstra noted that the analysis undertaken by ROAM Consulting (ROAM) around the capacity for Load Following services indicates that there is enough plant on the system to deal with a greater penetration of Intermittent Generators. Mr Kelloway noted that the mix of plant on 	

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	<p>the system has an impact on whether this is the case. Mr Kelloway noted that if the value of Intermittent Generators overstates their ability to deliver then System Management will not be able to ensure that the available supply of energy can meet peak demand.</p> <ul style="list-style-type: none"> • Mr Dykstra noted that after MMA had delivered its original report significant discussions on the proposal had been held among the IMO, System Management and the Office of Energy (OoE), and yet MMA was not persuaded to move away from its proposed solution. Mr Forward noted that MMA had no experience in operating a power system. Mr Dykstra considered that this may encourage MMA to take a more conservative approach. • Mr Dykstra suggested that from a system security and reliability perspective System Management would prefer to have a situation of no Intermittent Generation on the system. Mr Kelloway responded that this would not be in the best interests of the market. • The Chair noted that it is difficult to ignore the system operator when it notes that there may be potential impacts on system security. The Chair noted that during the discussions at the REGWG System Management had moved towards the less conservative proposal. • Mr MacLean noted that the MMA's proposed methodology, which was based on system security and reliability criteria, was being rejected in favour of an arbitrary alternative approach. • Mr Cremin noted that at one of the first REGWG meetings chaired by the IMO, Ms Anne Hill had noted the OoE's position as being conservative on this issue. Mr Cremin noted that this position had no regard for the Market Objectives and appeared to be politically motivated. Mr Cremin noted that the proposal would need to meet the Market Objectives if it was progressed, and that the IMO would have to take into account any comments raised in submissions. Mr Cremin considered that to contradict MMA's recommendation would require strong justification. Ms Ugarte clarified that Ms Hill's view had related to the security of supply. Mr Cremin noted that previous statements from the OoE around encouraging renewable energy sources is at odds with the Minister's previous advice to the MAC that only commercial incentives should be taken into account. • Mr Cremin questioned why there was the need to change the current commercial mechanisms when it is in fact the reliability criteria that should be reviewed. Mr Forward questioned who should bear the costs of changes to the reliability criteria. Mr Cremin considered that end users should bear the costs of generation where inefficient generation is incentivised by Federal Law. • Mr Dykstra noted the volatility of the results from Proposals 1 and 3 over time, noting that investors would be unlikely to enter the market with such volatile potential Capacity Credit allocations. Mr Dykstra stated that the 3 year averaging approach currently provides a much smoother option, as does MMA's proposed solution. • Mr Dykstra questioned whether there would be a different methodology applied for determining the capacity valuation for DSM during the 12 peak periods or for Scheduled Generators. Mr Dykstra noted that 	

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	<p>currently there is no certainty over DSM's availability during these times. Mr Cremin noted that these issues have been discussed by the REGWG previously. The proposal is likely to result in inconsistent treatment of Scheduled and Non-Scheduled Generators.</p> <ul style="list-style-type: none"> • Mr MacLean noted that the proposed changes would more correctly allocate Capacity Credits to solar facilities. • Mr Cremin noted that an existing weakness in the rule change assessment process will be re-highlighted in this case as the IMO's assessment of the proposal will not take into account other potential methodologies that could be alternatively implemented. • Mr Everett noted that REGWG had been provided with an opportunity to put forward a recommendation to the MAC but had been unable to do so. Mr Dykstra noted that the commercial views of the REGWG had not made this possible. Mr Dykstra noted that the MAC is required to act in the best interests of the market and not according to the individual commercial interests of its members. Mr Dykstra considered that, irrespective of the resultant capacity valuations, moving away from progressing MMA's proposed approach would be inconsistent with the best interests of the market. • Mr MacLean questioned if a bias should be applied, noting that it is important to supply customers during the majority of the year. Mr Forward noted that generally the whole RCM is geared towards delivering energy for the peak especially when peak demand is the dominant factor in the reliability criterion. • The Chair noted that no matter the reason for the lights going out, there will be a large problem if the market had insufficient capacity to service load. Dr Gould noted that the impact of these situations is compounded during the Hot Season. • Mr Dykstra noted that the IMO's proposal would change the economics of developing an Intermittent Generator considerably. The Chair agreed, noting that the IMO had been conscious of signalling potential changes in the Reserve Capacity allocations to Intermittent Generators in the last three Statement of Opportunities Reports. • Mr Cremin noted that existing Intermittent Generators should not be exposed to regulatory risk due to the "gut feelings" of the system operator. Any decision to progress with a solution needs to account for the impacts on existing Intermittent Generators. The Chair noted that the system operator's opinion is of vital importance with regard to system security. • Mr Forward noted that the IMO is required to review the reliability criteria by the end of 2012. Dr Gould suggested that reviewing the reliability criteria and ensuring that the costs are correctly allocated to Market Customers would be a preferable outcome. • Dr Gould noted that Mr Greg Thorpe's previous comments that Capacity Credits are in effect a pre-payment for energy. The Capacity Credit factor is a representation of the amount of energy that will be available from a wind farm. MMA's concept of Load for Scheduled Generation effectively treats a wind farm as a negative load which 	

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	<p>ultimately drives down the need for energy from the Balancer, resulting in lower balancing prices. Mr Kelloway agreed with Dr Gould's synopsis.</p> <ul style="list-style-type: none"> • Dr Gould considered that a significant regulatory risk would be introduced by the proposed amendments. • The Chair noted that the OoE had advised the IMO that there are a number of wind investors looking at entering the market despite this proposal being considered. • Mr Cremin noted that customers will be the parties that ultimately pay for the amendments. • Mr Craib noted that the proposed changes would impact on the viability of constructing a wind farm in the WEM. Mr Everett noted that Verve Energy was considering building a wind farm and that the proposed amendments have not resulted in an adjustment to their decision. • Mr Forward noted that the decision around the capacity valuation for Intermittent Generators is one of the hardest decisions the market has faced since market start. Mr Forward noted that he was unsure that the market would be in any better position in a year's time to reconsider this issue and so there was no reason to not progress a solution now. Dr Gould agreed, stating that it would be best to progress the IMO's solution through the Rule Change Process, flush out all the issues, appoint an expert to consider these issues further and then the IMO can make a final decision on the proposal. • Mr Cremin noted that the methodology for assigning Capacity Credits to Intermittent Generators needs to make some better allowances for solar as the current Market Rules are not appropriate for this technology. However, Mr Cremin noted that he was concerned that a non-optimal solution was being progressed. Mr Dykstra suggested that maybe the IMO should be considering a solution simply for solar facilities. Mr Forward noted that solar technologies are not the main issue needing attention as there is less penetration of these technologies and less potential penetration in the near future. • The Chair noted that the IMO has an obligation to move forward with proposing a solution to this issue and that the process forward would provide sufficient opportunities for Market Participants to provide their comments. The MAC agreed, although Mr Sutherland questioned how much progressing through the Rule Change Process would cost the market. • Mr Cremin agreed with the IMO that the data available is limited but considered that MMA's proposed methodology would ensure that if the relationship between peak periods and output has been incorrectly identified due to the data restrictions, this will be reflected in the Capacity Credit allocations to these facilities in time. Mr Dykstra noted his concern that progressing with the IMO's proposed solution would set a bad precedent as this would ignore the available evidence and would result in a solution being progressed based purely on the system operator's "gut feel". Mr Dykstra noted that if the IMO is not going to progress with MMA's proposal then Market Participants will need to clearly understand why the IMO's proposed solution is a better approach. Mr Kelloway agreed to provide details of System 	

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	<p>Management's modelling to assist the MAC in understanding its position. Mr Kelloway noted that System Management is taking no position on the further development of renewable energy options in the WEM.</p> <p><i>Action Point: System Management to provide details of its modelling of the impacts of Intermittent Generation on the WEM and the associated capacity valuation methodology (Work Package 2) to MAC members.</i></p> <ul style="list-style-type: none"> • The Chair questioned whether MAC members would have a different position on the IMO's proposal if there was no existing wind generation on the system. Mr Dykstra considered that there would be nothing to gain from considering this hypothetical view. Mr Huxtable questioned what the impact of allowing for grandfathering would be. The Chair noted that he did not support the introduction of grandfathering provisions. • Mr Campillos questioned if System Management had considered the impacts of improving the reliability criteria. Mr Kelloway noted that it had not to date but that it would do so moving forward. • Mr Dykstra suggested that the IMO progress the Rule Change Proposal and simply note that it was discussed at the MAC. Mr Cremin noted that it is unlikely that different views will be raised and it will be a costly process. <p>The IMO agreed to progress the proposal, noting that it is likely that a number of issues will be raised during the consultation process.</p>	<p>SM</p>
<p>7d</p>	<p>ANCILLARY SERVICES PAYMENT EQUATIONS (WORK PACKAGE 3) [PRC_2010_27]</p> <p>The Chair introduced Dr Jenny Riesz from ROAM, who had co-authored the report "Assessment of FCS and Technical Rules" for the REGWG's Work Package 3 and was attending the meeting to answer any questions from the MAC regarding the Pre Rule Change Discussion Paper.</p> <p>Mr Forward noted that the REGWG had discussed the ROAM final report for Work Package 3, and had requested that some further analysis be undertaken in relation to the allocation of Load Following and Spinning Reserve costs, prior to the submission of a Rule Change Proposal. The IMO had instructed ROAM to:</p> <ul style="list-style-type: none"> • consider how the impact of Scheduled Generator deviations from dispatch targets can be reflected in the allocation of Load Following and Spinning Reserve costs; • consider the suggestions made by Verve Energy for the simplification and staged implementation of the proposed changes; and • investigate the use of a proportioning approach for the allocation of Load Following costs and prepare a comparison of this approach and the recommended difference-based approach. <p>ROAM had subsequently prepared the Pre Rule Change Discussion Paper: Ancillary Services Payment Equations (PRC_2010_27) for consideration by the MAC. Mr Forward noted that Verve Energy had raised a concern with the IMO about whether its intentions had been fully reflected in the paper,</p>	

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	<p>and explained that Mr Chin Koay was attending the meeting to discuss the issues on Verve Energy's behalf. Mr Forward proposed to work through the issues and discussion points raised in the IMO's cover paper.</p> <p>Issue 1: Clause 3.14.1 – Inclusion of unintended fluctuations of Scheduled Generators in Load Following costs (attachment 1 to the Rule Change Proposal)</p> <p>Mr Forward noted that Pacific Hydro had suggested to the REGWG that Scheduled Generators might be allocated a proportion of Load Following costs to reflect the impact of their uninstructed fluctuations. There was some discussion about how Load Following costs were currently allocated to Loads and Intermittent Generators and how the cost allocation did not depend on the actual fluctuations of individual Loads or Facilities.</p> <p>In response to a question from Mr Dykstra, Mr Forward advised that the IMO had been unable to obtain statistics on the magnitude of uninstructed fluctuations from Scheduled Generators prior to the meeting. Mr Forward noted that a significant amount of modelling would be required to derive this information, and suggested that the work may not be worth undertaking as the magnitude of the fluctuations is expected to be low, as advised by ROAM. There was some discussion around whether it would in fact be possible to identify and measure unwanted fluctuations. Mr Kelloway noted that some fluctuations (governor response) benefitted the market and should not be discouraged. Mr MacLean suggested that insufficient information was available to make any decision.</p> <p>The Chair suggested that there appeared to be a general agreement not to pursue the matter further. The MAC accepted the IMO's advice that the magnitude of uninstructed Scheduled Generator fluctuations would be costly to determine and probably small. The MAC agreed that the issue should not be pursued any further at this time.</p> <p>Issue 2: Clause 3.13.1, 9.7.1 – Capacity Cost for Spinning Reserve (attachment 2 to the Rule Change Proposal)</p> <p>Mr Forward noted that since the publication of PRC_2010_27 it had been queried whether Market Participants were paying twice for Load Following capacity under the current Market Rules. Mr Koay confirmed that there was no double payment problem at present.</p> <p>Mr Forward asked MAC members whether they considered it appropriate to include a Capacity Cost for Spinning Reserve in the Rule Change Proposal. Mr Dykstra questioned whether the issue had been raised by ROAM. Mr Forward replied that the suggestion had come from Verve Energy. Mr Koay expressed support for the idea, noting that it was consistent with the way in which Load Following was handled. Mr Koay had originally thought that the omission of a Capacity Cost for Spinning Reserve was an oversight, but comments in the old Market Rules indicate that the omission was deliberate. Mr Koay suggested that a Capacity Cost for Spinning Reserve be included for consistency unless a problem is identified.</p> <p>Mr Dykstra questioned whether the change would represent a reallocation or a new cost for Market Participants. Dr Riesz and Mr Forward replied that the change would not involve any new costs but only the more appropriate allocation of existing costs. The Chair and Mr MacLean both considered that the proposed change was reasonable.</p>	

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	<p>Mr Dykstra requested an estimate of the quantum of the impact. The Chair suggested that the IMO could either circulate this information to MAC members or alternatively provide it at the next MAC meeting. Mr Forward suggested that MAC members had no disagreement with the concept but wished to see an estimate of the quantum impact. Mr Sutherland replied that he would want to see the estimate of the quantum impact before expressing support for the concept. Mr Cremin expressed his concerns about the limited options available to generators in this market to pass extra costs through to end users.</p> <p><i>Action Point: The IMO to provide the MAC with an estimate of the financial impact on Market Participants of amending the Pre Rule Change Discussion Paper: Ancillary Services Payment Equations (PRC_2010_27) to include a Capacity Cost for Spinning Reserve and therefore allocate the capacity payment to Scheduled Generators providing the service</i></p> <p>Issue 3: Clause 3.14.1 – Full load, marginal generation payment for Load Following (attachment 3 to the Rule Change Proposal)</p> <p>Mr Forward advised that ROAM had prepared some additional estimates of Load Following costs and their allocation between Intermittent Generators and loads, under various scenarios and allocation methodologies. A summary was distributed to MAC members and is attached as Appendix 2. Dr Riesz advised that ROAM had revised its estimates and that the values in Table 1 of the handout replaced the values presented in PRC_2010_27. Dr Riesz noted that the estimates assumed that the other proposed amendments to the Market Rules would be implemented.</p> <p>The Chair asked Dr Riesz to explain the difference between the allocation methodology proposed by ROAM and the alternative methodology. Dr Riesz explained that under the “Full Load, Marginal Generation” methodology proposed by ROAM, loads pay the full proportion of their Load Following Requirement, while Intermittent Generators pay the additional increment required for their operation. Under the alternative “Proportional Load and Generation” methodology, the Load Following requirements of loads and Intermittent Generators are assessed separately, and the costs of Load Following are distributed in direct proportion to the individual requirements of each group.</p> <p>Mr Cremin considered that both methodologies constituted a wealth transfer that shifted the costs of Load Following from Loads towards Intermittent Generators. Mr Cremin noted that Intermittent Generators can do little to reduce the variability of their output. The proposed changes would impose a large cost on a small number of generators, who would pass the cost through to a small number of retailers. Mr Cremin questioned whether the issue of causer pays versus socialisation of costs should be considered at a higher level.</p> <p>The Chair replied that the socialisation of Load Following costs might not send appropriate investment signals to future investors in wind. Mr Huxtable questioned whether biomass would become more competitive with wind in response to these signals. There was some discussion about the subsidisation of renewable generation, the approach taken by the National Electricity Market (NEM) and the need for costs to be transparently allocated.</p> <p>Mr Forward asked MAC members which of the two proposed cost allocation</p>	<p>IMO</p>

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	<p>methodologies they preferred. Mr Dykstra expressed a preference for the status quo, estimating that the proposed changes could increase Alinta's operating costs of running its wind farm by one third. Mr Sutherland noted that while ERM Power did not have any Intermittent Generators, he considered that there was a fundamental problem with pushing costs upstream.</p> <p>Mr MacLean queried whether the size of the estimated cost increases was a surprise to Alinta. Mr Dykstra considered that this was the first time that the magnitude of the changes had been obvious. Dr Riesz noted that the increase in Load Following costs to Intermittent Generators was due not only to the proposed allocation methodology changes but also to other changes that would increase the overall cost of Load Following, for example increasing gas prices and changes to how costs are distributed between Load Following and Spinning Reserve. Dr Riesz believed that the NEM applied a causer pays approach on an individual basis to Load Following costs.</p> <p>Of the two methodologies, Mr Dykstra expressed a preference for the Full Load, Marginal Generation methodology, considering that it was not unreasonable to give wind generation some benefit at the margin. The Chair queried whether this methodology had the general support of MAC members. Mr Cremin suggested that a cost increase to Intermittent Generators from \$1 million to \$17 million represented a large regulatory change. There was some discussion about the extent to which the off-take arrangements of Intermittent Generators would allow them to pass these cost increases through to their customers.</p> <p>Mr Dykstra questioned to what extent the amendments in the Pre Rule Change Discussion Paper could be progressed separately. Dr Riesz responded that some of the proposed changes could be unbundled, including the proposed changes to the Load Following cost allocation methodology.</p> <p>Mr Everett recommended that the Rule Change Proposal proceed, but noted that Verve Energy would be suggesting some further changes to the proposed Amending Rules. Mr Huxtable considered that there was a fundamental difficulty in attempting to apply "market efficiency" to an inefficient product that would not be viable without subsidy. Mr Forward noted that the policy advice received from the Minister to date suggested that a level playing field should apply in respect to renewable generation. Mr Dykstra suggested that this was different to the apparent direction at market start.</p> <p>The Chair asked if there was general support from MAC members for the Full Load, Marginal Generation methodology. Mr Everett noted that Verve Energy did not support this methodology, believing that a true "causer pays" approach should be adopted. The Chair asked Dr Riesz to explain why ROAM had recommended the Full Load, Marginal Generation methodology. Dr Riesz noted that ROAM's recommendation was consistent with a recommendation made by the Econnect to the Office of Energy in 2005. The proposed methodology ensures that the cost allocation to loads for Load Following is unaffected by the extent of Intermittent Generation operating in the SWIS. Under the Proportional Load and Generation methodology, loads would receive a "windfall gain" at the expense of Intermittent Generators, as</p>	

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	<p>this methodology ignores the extent to which the fluctuations of Intermittent Generators cancel out fluctuations in load. The Full Load, Marginal Generation methodology ensures that Intermittent Generators only pay for the additional Load Following costs that they impose on the SWIS.</p> <p>The Chair queried why Verve Energy supported the Proportional Load and Generation methodology. Mr Koay presented an analogy involving a man who has built a house at the top of a hill. The man has been obliged to pay for the construction of a new road, as initially his is the only house and so he is the only user of the road. If another house is then built beside the first, the question is whether the owner of the second house should be obliged to contribute towards the cost of the road. Mr Koay suggested that the Full Load, Marginal Generator methodology was similar to allowing the second house owner to use the road free of charge.</p> <p>Mr Cremin considered that under either methodology new costs were assigned to generators that would eventually need to be passed through to end users. Mr Dykstra noted that marginal costs were not applied to each Intermittent Generator separately, but to Intermittent Generators collectively.</p> <p>The Chair considered that, subject to Verve Energy's concerns, MAC members appeared to be favouring the Full Load, Marginal Generation methodology. Mr Everett offered to circulate some comments explaining Verve Energy's concerns to MAC members for discussion.</p> <p><i>Action Point: Verve Energy to circulate its comments on the Pre Rule Change Discussion Paper: Ancillary Services Payment Equations (PRC_2010_27) to MAC members.</i></p>	<p>Verve Energy</p>
<p>7e</p>	<p>CURTAILABLE LOADS AND DEMAND SIDE PROGRAMMES [PRC_2010_29]</p> <p>Mr Forward noted that the aim of the Pre Rule Change Discussion Paper is to address the current operational issues around Curtailable Loads. Mr Forward summarised the background to the paper, noting that the MAC had discussed and reached agreement on a number of key issues relating to Curtailable Loads at its May 2010, June 2010 and August 2010 meetings.</p> <p>Mr Forward advised that the Pre Rule Change Discussion Paper had been developed to reflect the principles agreed by the MAC. Mr Forward sought feedback from MAC members about any issues they had with the implementation of the agreed principles in PRC_2010_29, but noted that he did not want to re-litigate issues on which the MAC had already reached an agreement.</p> <p>Mr Dykstra noted that Alinta had previously sent comments to the IMO about the calculation of Relevant Demand using load data for the previous year. Mr Dykstra gave the example of a load with a Relevant Demand of 100 MW offering 50 MW of capacity. If the peak demand of the load had reduced from 100 MW to 50 MW since the previous summer then the load would be able to meet its capacity requirements without having to reduce its consumption.</p> <p>Mr Dykstra sought Mr Kelloway's thoughts on how System Management can be sure that Demand Side Programmes (DSPs) will deliver their promised capacity. Mr Kelloway responded that System Management's experience of DSPs had been limited, but acknowledged a concern that a requested</p>	

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	<p>that if this was to change then the matter could be considered at a later date. The MAC agreed that DSPs should not be paid when they are dispatched for a test.</p> <p>Mr Campillos raised his concerns about the proposed use of the same 12 Peak Trading Intervals for both the calculation of Individual Reserve Capacity Requirement (IRCR) values and the determination of the Relevant Demand used to measure DSP performance. Mr Campillos queried whether MAC members had fully considered the potential impact of this approach. Mr Campillos suggested that some of the most suitable loads for DSM may become unavailable as a result of the change, since by seeking to reduce their consumption in the 12 Peak Trading Intervals (to reduce their IRCR) they would lower their Relevant Demand levels, making participation as a DSP unattractive.</p> <p>There was some discussion around the extent to which loads were seeking to reduce their IRCRs by adjusting their consumption during expected Peak Trading Intervals, and whether such activities were good or bad for the market. Mr Dykstra considered that the problem was product of the split between the retailer and the DSM provider. Mr Zammit and Mr Campillos disagreed with this opinion.</p> <p>Mr MacLean considered that a customer that could reduce its IRCR would effectively be subsidised by other customers. Mr Campillos considered that the issue was that there needed to be an incentive for loads to reduce at times other than during the 12 Peak Trading Intervals. Mr MacLean suggested that there may be a better way to allocate IRCR apart from the current 12 Peak Trading Interval methodology.</p> <p>The Chair expressed concern that a DSM provider could be selling the same product (Load reduction at Peak) to both consumers and the market.</p> <p>In response to a request from the Chair, Mr Campillos agreed to articulate his concerns in writing for distribution to MAC members.</p> <p><i>Action Point: DMT Energy to send the IMO a summary of its concerns around the use of the same twelve Peak Trading Intervals for both the calculation of IRCR and the determination of the Relevant Demand level used to measure Demand Side Programme performance.</i></p> <p><i>Action Point: The IMO to distribute the summary provided by DMT Energy of its concerns regarding the calculation of Relevant Demand for a Demand Side Programme to MAC members.</i></p> <p>The MAC supported the progression of PRC_2010_29 into the rule change process.</p> <p><i>Action Point: The IMO to formally submit PRC_2010_29: Curtailable Loads and Demand Side Programmes into the rule change process.</i></p>	<p style="text-align: center;">DMT Energy</p> <p style="text-align: center;">IMO</p> <p style="text-align: center;">IMO</p>
7f	<p>LIMITS TO EARLY ENTRY CAPACITY [PRC_2010_30]</p> <p>The Chair noted that MAC members had discussed the Pre Rule Change Discussion Paper at the October 2010 meeting. As a result of the MAC discussion the IMO engaged Marchmont Hill Consulting (MHC) to undertake an assessment of PRC_2010_30 against the Wholesale Market Objectives. A summary of the advice provided by MHC was distributed to MAC members prior to the meeting.</p>	

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	<p>In summary, MHC found the most significant impact of the proposal was negative in terms of a Wholesale Market Objective (c). MHC found a minor positive impact (on balance) to Wholesale Market Objective (a) and a minor positive impact to Wholesale Market Objective (d).</p> <p>Mrs Papps clarified that MHC had identified both positive and negative impacts to Wholesale Market Objective (a). Mr MacLean questioned whether the full report provided any further explanation of MHC's comment that the proposal "socialises commissioning risks". Mrs Papps advised that the IMO had now confirmed that the MHC report was not confidential and so could be distributed to MAC members. A copy of the full report had already been provided to Mr Dykstra.</p> <p><i>Action Point: The IMO to distribute the advice provided by Marchmont Hill Consulting on the Pre Rule Change Discussion Paper: Limits to early entry capacity payments (PRC_2010_30) to MAC members.</i></p> <p>Mr Dykstra noted that the report discussed commissioning but considered that much of the discussion applied only to generators. Mr Dykstra also questioned how Wholesale Market Objective (c) should be interpreted in this context, and suggested that further discussion should be held off until the December 2010 MAC meeting when members would have had the opportunity to review the full report. It was agreed that there would be value in the IMO meeting with Mr Dykstra prior to this meeting to discuss the MHC report in more detail.</p> <p><i>Action Point: The IMO to meet with Alinta to discuss the advice provided by Marchmont Hill Consulting on the Pre Rule Change Discussion Paper: Limits to early entry capacity payments (PRC_2010_30).</i></p> <p><i>Action Point: The IMO to present the Pre Rule Change Discussion Paper: Limits to early entry capacity payments (PRC_2010_30) again to the MAC at the December 2010 meeting for further discussion.</i></p>	<p>IMO</p> <p>IMO</p> <p>IMO</p>
7g	<p>ACCEPTABLE CREDIT CRITERIA [RC_2010_36]</p> <p>Mr Williams noted that the IMO had received a great deal of feedback around issues relating to Acceptable Credit Criteria (ACC) requirements. The IMO has engaged an external consultant to undertake a review of these issues. The IMO expects that the results of this review will be available to the IMO by the end of November 2010.</p> <p>Mrs Papps noted that Synergy had formally submitted its Rule Change Proposal into the rule change process. The scope of this Rule Change Proposal overlapped the scope of the IMO's review into ACC issues.</p> <p>In response to a question from the Chair, Mr MacLean noted that RC_2010_36 sought to remove the requirement in the Market Rules for a participant to provide a solicitor signed ACC Form in relation to a Credit Support Provider on the IMO's List of Acceptable Credit Providers.</p> <p>Mr MacLean questioned why the Queensland Treasury Corporation was on the IMO List but not the Western Australian Treasury. Mr Huxtable responded that he understood that the Western Australian Treasury Corporation was not permitted to provide this type of support and that the Queensland Treasury Corporation was probably a provider of Credit Support for a current Market Participant.</p>	

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	<p>The Chair proposed that the IMO process the Rule Change Proposal but delay its progress until the results of the IMO review can be considered. In response to a query from Mr Huxtable, Mrs Papps clarified that the IMO would publish the relevant outcomes of its review in an addendum to the Rule Change Notice, so that participants could consider this information when preparing their first period submissions. The MAC supported this proposal.</p> <p><i>Action Point: The IMO to extend the first submission period for the Rule Change Proposal: Acceptable Credit Criteria (RC_2010_36) as necessary to allow the IMO to complete its review of the issues raised by Market Participants around the Acceptable Credit Criteria requirements and present its findings in an addendum to the Rule Change Notice for further consideration by Rule Participants when preparing their submissions.</i></p>	IMO
8a	<p>MARKET PROCEDURE CHANGE OVERVIEW</p> <p>The MAC noted the overview of recent and upcoming procedure changes.</p>	
9	<p>MAC MEMBERSHIP REVIEW: 2011 PROCESS</p> <p>The Chair noted that the IMO had provided members with additional information about the process and guidelines it used in its annual review of the composition of the MAC.</p> <p>Mrs Papps confirmed that there were an additional two positions available on the MAC, for a Market Customer and a Market Generator, as result of the Rule Change Proposal: MAC Membership Review (RC_2010_15). There was some discussion about the IMO's endeavours during the selection process to ensure an equal representation of Market Customers and Market Generators on the MAC.</p> <p>The MAC noted the IMO's update on the process for the 2011 review of MAC membership. Mr MacLean noted that it was a comprehensive process.</p>	
10	<p>GENERAL BUSINESS</p> <p>There was no general business raised.</p>	
11	<p>NEXT MEETING</p> <p>Meeting No. 34 to be confirmed, following a request from Mr Dykstra.</p>	
<p>CLOSED: The Chair declared the meeting closed at 5.15pm.</p>		