

## Independent Market Operator Reserve Capacity Mechanism Working Group

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### Minutes

Meeting No.	3
Location:	IMO Boardroom Level 3, 197 St Georges Terrace, Perth
Date:	Tuesday 17 April 2012
Time:	Commencing at 2.00pm – 5.30pm
Attendees	
Allan Dawson	Chair
Suzanne Frame	IMO
Neil Hay	System Management (Proxy)
Andrew Sutherland	Market Generator
Brad Huppatz	Market Generator (Verve Energy)
Corey Dykstra	Market Customer
Patrick Peake	Market Customer
Steve Gould	Market Customer
Paul Hynch	Observer (Office of Energy)
Wana Yang	Observer (Economic Regulation Authority)
Additional Attendees	
Richard Tooth	Presenter (Sapere Research Group)
Mike Thomas	Presenter (The Lantau Group)
Aditi Varma	Minutes
Fiona Edmonds	Observer
Jenny Laidlaw	Observer
Greg Ruthven	Observer
Aaron Breidenbaugh	Observer (EnerNOC, USA)
Ken Schisler	Observer (EnerNOC, USA)
Paul Troughton	Observer (EnerNOC)

Apologies		
Ben Tan	Market Generator	
Shane Cremin	Market Generator	
Brendan Clarke	System Management	
Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the third meeting of the Reserve Capacity Mechanism (RCM) Working Group (RCMWG) at 2:05pm.</p> <p>The Chair welcomed the members in attendance and noted apologies received from Mr Brendan Clarke, Mr Ben Tan and Mr Shane Cremin prior to the meeting. The Chair acknowledged Mr Neil Hay as proxy for Mr Clarke. The Chair also introduced Dr Richard Tooth from Sapere Research Group. The Chair also noted observers from EnerNOC, USA in attendance.</p>	
2.	<p>MINUTES ARISING FROM MEETING 2</p> <p>The minutes were accepted as a true and accurate record of the meeting.</p>	
3.	<p>ACTIONS ARISING</p> <p>The Chair noted that all action points from the previous meeting had been completed.</p>	
4.	PRESENTATION: Harmonisation of Demand Side and Supply Side	

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	<p>Hay noted that under the current Availability Classes, System Management would not dispatch DSM if it believes that the peak of summer has not yet been reached. Mr Dykstra observed that this would imply DSM is considered to be the last resort. Mr MacLean queried if this implied that System Management would have different operational guidelines in early summer vis-a-vis late summer. Mr Hay disagreed with this and noted that consideration would be given to System Management's expectation that the peak summer day is yet to occur.</p>	
x	<p>Mr Huppertz observed that this might indicate that DSM could be considered to be more valuable during peak summer (for example, from January to March) than during other months. Mr Geoff Down observed that some level of <del>uncertainty</del> <u>flexibility</u> needs to be factored in dispatch decisions.</p>	
x	<p>Mr Renaud noted that in most markets DSM is used in emergency reliability conditions. He observed that in this case it seemed that the issue was not the dispatch of DSM itself but System Management's confidence level in dispatching DSM when faced with peaky circumstances early in summer. Mr Hay agreed with the statement and noted that if System Management was faced with the option of shedding load versus dispatching DSM, it would always dispatch DSM but it must give adequate consideration to the fact that that option would then be used up and would not be available if a similar circumstance occurred again. Mr Payne noted that the capacity provided by DSM in the market currently might be sufficient to provide some flexibility of dispatch for System Management. However, Mr Dykstra and Mr Stevens argued that dispatch decisions were constrained because of DSM availability limitations. Mr Renaud mentioned that DSM could strive to provide advanced technological tools to System Management for better dispatch decisions. However the issue was more around the prescriptive grid conditions needed to dispatch DSM rather than the actual hours of availability of it.</p>	
x	<p>Mr Breidenbaugh observed that in the US, the issue was not so much the availability duration of DSM but how often and for how long it was dispatched. He added that an important concern for DSM providers was performance measurement over their availability duration as that happened during the peakiest periods. He also observed that in the PJM market, DSM is only dispatched during reserve deficiency situation.</p>	
x	<p>Discussion continued on how DSM participates in the energy market. Members discussed that there is an extra monetary benefit that DSM is able to receive because of savings resulting</p>	

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	<p>dispatched before a peaking generator if its marginal cost was lower. Mr Renaud noted the mechanism is based on value not cost to which Mr Peake responded that the value of the capacity provided by DSM changes throughout the Capacity Cycle. The Chair noted that this was an issue that is being considered in the discussion on harmonisation. He challenged the group to consider the inclusion of DSM in the balancing market as a potential solution for harmonisation of demand and supply side</p>	

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	<ul style="list-style-type: none"> <li data-bbox="415 153 1248 369">x On the issue of forecasting uncertainty, Mr Sutherland noted that forecasting error made a significant contribution to over-supply of capacity. Mr MacLean observed that because forecasts inherently have a level of uncertainty, the question to ponder is what protections exist in the market for existing loads to be shielded from the costs of committed loads not becoming available.</li> <li data-bbox="415 375 1248 562">x There was some discussion on the level of DSM contracted bilaterally in the market. Mr Breidenbaugh noted that if the intent was to encourage bilateral contracting, then DSM might be driven out of the market. Mr Thomas noted that the intent of the proposed solution was not to drive out any particular technology from the market.</li> <li data-bbox="415 569 1248 816">x <u>On the table detailing factors to which capacity additions could be attributed, Mr Dykstra queried if data could be provided on capacity credits by facility. Further, Mr Dykstra noted that the objective was to make sure that at any time, the right price signal was available to anyone contemplating making capacity available to the market. He noted that the reserve capacity price should be set at the marginal value of a unit of capacity irrespective of the marginal cost associated with that unit of</u></li> </ul>	

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	refund regime would be kick-started in the next meeting. He declared the meeting closed at 5.30 pm.	