

Independent Market Operator
Reserve Capacity Mechanism Working Group

Minutes

Meeting No.	5
Location:	IMO Boardroom Level 3, 197 St Georges Terrace, Perth
Date:	Thursday 12 July 2012
Time:	Commencing at 2.05pm

KEY DECISION REGISTER

A] HARMONISATION OF DEMAND SIDE AND SUPPLY SIDE RESOURCES (WORK STREAM 2)

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that the objective of the current system was to incentivise facilities to be available Mr Stevens observed that the refund regime did not in itself incentivise a base load generator to be more available than needed. It was rather a refund that generators would try to avoid by patching up machines to stay online as much as possible rather than taking an outage and fixing them completely. He added that generators would try to do their maintenance to avoid Forced Outages, and bring plant back online to avoid refund Mr Rhodes noted that that was an appropriate outcome as it means that market has full capacity and energy prices will be lower. Discussion ensued on why a generator would not take out a Planned Outage when it identifies an issue with the machines.

- Mr Mike Thomas observed that there were two issues at hand around how sharp the refunds should be for generators to encourage them to solve their problems faster and second, whether it's the right level of refund for that type of problem. He added that in The Lantau Group's previous work, they were trying to assess a baseline approach to measure against expected levels of performance.
- Discussion ensued on the differential effects of a dynamic refunds regime on different kinds of generators. Mr Peake noted his concern that a sharper refund regime can potentially put a peaking plant out of business Mr Sutherland expressed his concern with the effects of high refund on new, more reliable plants in comparison to old, less reliable plants
- Dr Tooth noted that the main concern for generators seemed to be that there was no creative way to pool their risk effectively. Members discussed what refund multiplier could be considered suitable. The Chair noted that a dynamic refunds regime comes with an inherent uncertainty which would expose smaller generating units to a greater level of commercial risk. He added that the purpose of markets is to provide an enabling environment for businesses to manage their risk and make sound business decisions.
- Members discussed the pros and cons of allowing for a certain percentage of Forced Outage rates followed b6(en)5.anit06ic[42 Tw 5(er)3(call)11(o .185

