

Independent Market Operator

MRCPWG

Minutes

Meeting No.	4
Location:	IMO Board Room



Item	Subject	Action
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	<p>x Mr Huppatz noted that a 160MW plant was more consistent with other parts of the market and that 100MW plant was the standard size for Verve Energy plant. Mr Peake noted that Verve's plants are not peaking facilities and will be used for balancing so are not directly comparable.</p> <p>x Mr Cremin noted that GE Frame 6 generators are common at the moment and second hand units can vary in price. In the future the trend may go back to 160MW units. Furthermore, zero deep connection costs were previously applied for 160MW units but this now occurs for 9.9MW units, thus these are continually changing.</p> <p><i>Agreed Outcome: The Power Station Capacity to remain at 160MW in total.</i></p> <p>x The Chair questioned if there was a material difference in cost to Western Power between two 80MW units or four 40MW units? Mr Cremin noted that there aren't a lot of areas to put multiple units with similar connection costs. Mr Peake agreed.</p> <p>x Mr Campillos noted the installation of an additional 160MW on the grid would require system upgrades.</p> <p>x Mr Gibbney questioned if you would really expect it to be cost efficient for four 40MW or two 80MW units? Economies of scale exist for a large plant rather than smaller units. Smaller units cost more on whole.</p> <p>x Mr Gibbney noted that Western Power would need to discuss with the ERA the New Facility Investment Test (NFIT) and its interpretation out of this Working Group. Mr Cremin noted the consultant would be used for the methodology of NFIT.</p> <p><i>Action Point: Western Power to advise Working Group on:</i></p> <p>x <i>Is there currently capacity on the SWIN for adding a total of 160MW of plant to the network, either in a single unit or a combination of units (e.g. 2 x 80 MW, 4 x 40MW)?</i></p> <p>x <i>In future, is it likely to be lower cost to add 160 MW of plant as a single unit (or at a single site), or might costs be lower for adding to amount of capacity at different site?</i></p>	Western Power
4	<p>REVIEW OF MRCP COMPONENTS</p> <p>The Working Group continued to discuss the components of the MRCP.</p> <p><u>Power Station – Type</u></p> <p>x It was questioned whether the OCGT power station should include inlet coolers.</p> <p>x Mr Rhodes noted that from a commercial perspective there is incremental cost but potential increase in capacity with inlet coolers.</p>	

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	<p>x Mr Cremin noted that in terms of the Reserve Capacity market, it was worth adding coolers to gain the extra Capacity Credits. He also questioned which cooling would be chosen in the review.</p> <p><i>Agreed Outcome: The Power Station type costing for the inclusion of inlet coolers.</i></p> <p><u>Power Station – Fuel type</u></p> <p>x Mr Ruthven noted that the current methodology assumes liquid-fuelling plant but dual fuel was an option due to security reasons.</p> <p>x Mr Peake commented that resupply of fuel isn't an issue and that dual fuel is unlikely to be appropriate in this instance.</p> <p>x The Chair noted that there are other review mechanisms for assessing dual fuel incentives.</p> <p><i>Agreed Outcome: The Power Station fuel type to be distillate.</i></p> <p><u>Power Station – Capacity Factor</u></p> <p>x It was stated that Operation and Maintenance is included in the 2% capacity factor.</p> <p><i>Agreed Outcome: The Power Station Capacity Factor to be 2% with no change in the current methodology.</i></p> <p><u>Liquid fuel storage and handling facilities</u></p> <p>x It was noted that the Market Rules require 14 hours availability of distillate fuel. The Market Procedure currently requires on-site storage for 24 hours of operation with an allowance for keeping the tank half full at all times (i.e. 12 hours of operation). It was noted that it's potentially inconsistent with the Market Rules.</p> <p>x Mr Cremin noted that it took 10 to 12 hours to refill the fuel storage.</p> <p><i>Agreed Outcome: The liquid fuel storage and handling facilities component to refer to the 14 hour fuel requirement in the Market Rules.</i></p> <p><u>Fixed O & M</u></p> <p>x Mr Cremin noted that last years' report by SKM provided an increase by 104% because metering/controlling costs where omitted in the previous report.</p> <p>x All members agreed that the current methodology was appropriate.</p> <p><i>Agreed Outcome: The fixed O & M component to remain the current methodology.</i></p> <p><u>Land- source of valuation</u></p> <p>x Mr Ruthven noted that Landcorp was approached by the</p>	

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	<p>IMO but advised that Landgate is the appropriate body to provide land valuations. The Working Group agreed to retain Landgate as the valuer.</p> <p><i>Agreed Outcome: The land valuer to be Landgate.</i></p> <p><u>Land- location</u></p> <ul style="list-style-type: none"> x Mr Ruthven noted there were currently 6 sites listed in the Market Procedure. x Mr Cremin questioned whether other sites could be considered where appropriate. x The Chair proposed that Western Power confirm the 6 sites each year and notify the IMO if there are any other potential sites to be considered. <p><i>Agreed Outcome: The land location to be the current list; and the Market Procedure for the Determination of the Maximum Reserve Capacity Price to include that Western Power will confirm 6 sites every year and notify the IMO of any other potential sites to be considered and the associated costs.</i></p> <p><u>Land- size</u></p> <ul style="list-style-type: none"> x Mr Peake commented that most sites are 3 ha or just above. x Mr Rhodes noted that Pinjar has a large buffer zone requirement. x Mr Cremin noted that the Environmental Protection Authority (EPA) generally requires a 3km buffer for OCGT's. A Market Participant would typically not need to purchase the extra land for the buffer zone. In particular most of the land sites are in an Industrial precinct that provides the required buffer. <p><i>Agreed Outcome: The land- size component to be 3 ha with no buffer zone; contingent on the land being in an Industrial Precinct.</i></p>	
5	<p>GENERAL BUSINESS</p> <p>There was no general business raised.</p>	
6	<p>NEXT MEETING</p> <p>The next Working Group meeting is currently scheduled to be held Wednesday 15 September 2010 (3:00-5:00pm).</p>	
7	<p>CLOSED: The Chair declared the meeting closed at 2.10 pm.</p>	