

Independent Market Operator

MRCP Procedure Change Workshop

**MRCP Workshop Minutes**

<b>Location:</b>	Cabaret 1 Room, Citigate Hotel Perth 707 Wellington Street, Perth
<b>Date:</b>	Thursday, 1 September 2011
<b>Time:</b>	Commencing at 10:20 to 12:05pm

<b>Attendees</b>	
Allan Dawson	IMO (Chair)
Greg Ruthven	IMO
Geoff Glazier	SKM
Suzanne Frame	IMO
Fiona Edmonds	IMO (Minutes)
Johan van Niekerk	IMO (Minutes)
Jenny Laidlaw	IMO
Monica Tedeschi	IMO
Rebecca Denton	IMO
Stacey Oldfield	IMO
Ray Challen	Price waterhouse Coopers (PwC)
Corey Dykstra	Alinta
Steve Gould	Landfill Gas and Power (LGP)
Stephen MacLean	Synergy
John Rhodes	Synergy
Brad Huppatz	Verve Energy
Patrick Peake	Perth Energy
Michael Crevola	Perth Energy
Jenni Conroy	Future Effect
Geoff Down	Water Corporation
Pablo Campillos	EnerNOC
Andrew Sutherland	ERM
Andrew Stoodley	TransAlta
Andrew Stevens	Griffin
Charles Martelli	Griffin
Wayne Trumble	Griffin
Tremayne Pirnie	Griffin
Neil Gibbney	Western Power
Peter Mattner	Western Power
Alistair Butcher	Western Power

<b>Attendees</b>	
Douglas Thompson	Western Power
Matt Veryard	Western Power
Emma Hibbs	Western Power
Brendan Clarke	System Management
Ben Tan (by telephone)	Tesla
Chris Brown	Economic Regulation Authority (ERA)
Robert Pullella	Economic Regulation Authority (ERA)
Duc Vo	Economic Regulation Authority (ERA)
Holly Medrana	Economic Regulation Authority (ERA)
Timothy Rosser	Blair Fox
Matthew Rosser	Blair Fox
<b>Apologies</b>	

<b>Item</b>	<b>Subject</b>
<b>1.</b>	<p><b>WELCOME</b></p> <p>The Chair opened the Workshop, introduced the speakers and discussed the agenda for the Workshop</p> <p>The Chair requested that attendees hold their questions until the completion of the presentations.</p>
<b>2.</b>	<p><b>MRCP REVIEW AND PROPOSED AMENDMENTS TO THE MRCP MARKET PROCEDURE</b></p> <p>A copy of the presentation made by Greg Ruthven is attached.</p>
<b>3.</b>	<p><b>TRANSMISSION CONNECTION COST METHODOLOGY</b></p> <p>A copy of the presentation made by Geoff Glazier is attached.</p>
<b>4.</b>	<p><b>QUESTIONS AND DISCUSSION</b></p> <p>The Chair invited attendees to raise any issues for discussion.</p> <p>Mr Gibbney of Western Power questioned whether it was the intention to include both liquid and/or gas fuelled plant under the revised Transmission Cost determination methodology. Mr Glazier confirmed that it was the intention to include those facilities capable of running on liquid fuel as the location for these facilities was not driven by other factors such as fuel source, and that this should include most OCGT's. Mr Ruthven confirmed that the Procedure would be clarified, if there was any ambiguity, to include connection costs for gas and or diesel fuelled plant.</p> <p>In addition Mr Gibbney queried whether for years in which no connection cost data was available if it was to be assumed that the Deep Connection Cost (DCC) would be zero. Mr Glazier confirmed that was the intention. The Chair confirmed that if the proposed Procedure contained any ambiguity in this regard that the IMO would amend it to expressly state the non-inclusion of DCC under the discussed scenario.</p> <p>Mr Butcher of Western Power raised the issue of the relatively small sample size of network access applications and the potential impact this might have in increasing year on year volatility of the transmission cost component within the MRCP. Mr Ruthven noted that volatility within the revised methodology was unlikely to be</p>

greater than the actual volatility seen under the current procedure, under which the deep connection cost could drop to zero if a new network augmentation was built with spare capacity.

Mr Clarke of System Management questioned as to whether plant that required diesel for start-up, but not for operation, would be included under the new methodology. Mr Glazier confirmed that coal fired plant that required diesel for start-up would not be considered in determining transmission connection costs. In addition Mr Clarke questioned as to whether diesel reciprocating engines would also be included for transmission cost determination purposes. Mr Glazier confirmed that diesel reciprocating engines would be included in determining transmission costs.

Mr Tan of Tesla queried whether only costs for 160MW or similar plants would be taken into account in determining transmission connection costs. Mr Glazier confirmed that size of plant would not determine inclusion with all eligible plant regardless of size included with all costs adjusted to a per megawatt value. Mr Tan questioned as to how the efficient size of the model generator would be determined on an ongoing basis. Mr Glazier confirmed that as far as transmission costs are concerned that the value of historical access offers and take-up of those offers would reflect efficient connection regardless of size and converted to a per megawatt value.

Mr Tan questioned as to whether the new methodology represented a move away from calculating the marginal project as a result of the calculation of average connection costs. Mr Glazier confirmed that accurate calculation of the forward marginal position was very demanding and that the actual outcome was not likely to be significantly different to the proposed methodology, which is based on actual connection costs. Mr Tan suggested that this may not match the intention of the process. The Chair stated that there were significant issues with the current methodology that were having a significant impact on electricity consumers.

Mr Dykstra of Alinta questioned what the impact of the Reserve Capacity Mechanism (RCM) review being undertaken by the Lantau Group might have on the operation of the MRCP. The Chair stated that the MRCP was fundamentally a technical engineering cost estimate whilst the use of the MRCP in the WEM, would require economic evaluation and be subject to change following the RCM Review. Therefore it would be unnecessary to delay any changes to the MRCP Procedure pending completion of the RCM Review.

Mr Trumble of Griffin questioned as to whether supply of water had been fully taken into account as an evaporatively cooled OCGT was likely to have significant water volume requirements. Mr Sutherland of ERM agreed with the comments of Mr Trumble. Mr Glazier confirmed that it was not part of the current scope to take into account requirements for water but a non-location specific calculation could be undertaken to determine costs associated with meeting water requirements under the power station elements capital cost. Mr Ruthven confirmed that the MRCP was based on a 2% capacity factor for the plant, however he confirmed that the IMO would investigate the issue raised.

Mr Campillos of EnerNOC questioned as to whether the 160MW OCGT remained the most efficient plant size for use in the MRCP Procedure as the model plant. The Chair confirmed that as far as transmission costs are concerned these would be scaled up or down to 160MW so a change of plant size would not impact the transmission cost component. Mr Campillos questioned the apparent disconnect between the non-transmission related costs of a 160MW OCGT and the non-160MW specific nature of transmission cost determination.

The Chair stated that the continued use of the 160MW model plant had provided a level of consistency in historical MRCP determinations. Mr Glazier stated that the

	<p>transmission connection estimate derived from the proposed methodology was expected to be aligned with the costs of connecting a 160MW facility, based on knowledge of the sizes of facilities that have connected in recent years.</p> <p>Mr Sutherland of ERM noted that there was no allowance for operations insurance under the current or proposed methodology and suggested that it was a fixed cost that needed to be met in order to bank a project of this sort. The Chair suggested that operational insurance may be more accurately classed as an operational cost. Mr Glazier suggested that a line had to be drawn somewhere and provided the example that as a peaking plant that wasn't operating on a regular basis was also likely to incur a number of other costs such as personnel costs which would not be included in the MRCP. The Chair suggested that Mr Sutherland submit his comments during the MRCP Procedure change submission process.</p> <p>Mr Mattner of Western Power suggested that the extent of the likely reduction in the MRCP, based on IMO estimates, justified a detailed assessment of the economic effects of the Procedure change. The Chair confirmed that there was concern in the past over the relationship between transmission costs determined by Western Power and the actual costs incurred by those connecting to the transmission network with actual connection costs significantly lower than those historical estimates provided by Western Power. The Chair suggested that the proposed methodology for transmission cost determination better reflected actual transmission connection costs whilst the changes made to the model power plant, particularly with respect to the inclusion of the most efficient inlet cooling technology, reflected the nature of actual peaking facility technology being utilised. Mr Pullella of the ERA supported the comments made by the Chair.</p> <p>Mr Stoodley of TransAlta questioned if the Procedure would be subject to change in the future if inlet cooling was no longer deemed to be cost effective. The Chair confirmed the inclusion of inlet cooling would continue to be subject to review depending on the progress of technology and the economic efficiency of inlet cooling options.</p> <p>Mr Thompson of Western Power stated that whilst the current methodology for determination of transmission costs was challenging, the likely initial fall in the transmission cost component under the proposed methodology did not, in his opinion, reflect actual costs for transmission connection. The Chair noted that any increase in the cost of access offers by Western Power would feed through under the new methodology as these access offers would be included in the determination of the transmission cost component for future MRCP determinations.</p> <p>Following a request for any further comments the Chair confirmed that comments made during the workshop would be incorporated into the next paper. In addition he confirmed that the IMO Board was likely to see the updated Procedure Change during October and that the Procedure would be subject to the approval of the Board.</p>
<p><b>10</b></p>	<p><b>CLOSED:</b> The Chair declared the meeting closed at 12:05 pm.</p>