

Independent Market Operator



Rule Change Notice

Title: Outage Notification to the IMO

Ref: RC_2007_16

Date: 27 August 2007

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Independent Market Operator

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INTRODUCTION

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the Independent Market Operator) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submit this to the Independent Market Operator (IMO).

The IMO will assess the proposal and, within 5 Business Days of receiving the Rule Change Proposal Form, will notify the proponent whether the Rule Change Proposal will be progressed further.

In order for the proposal to be progressed the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

A Rule Change Proposal can be processed using a Standard Process or a Fast Track Process. The Standard Process involves a combined 10 weeks public submission period, while the Fast Track Process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.

THE RULE CHANGE PROPOSAL

The Submission

System Management submitted, on 17 August 2007, a Rule Change Proposal regarding the addition of new clauses 3.21.5 and 3.21.6, and amendments to clauses 3.18.6, 3.21.4, 6.3A.2, 7.3.4 and 7.13.1, of the Wholesale Electricity Market Rules.

This Rule Change Notice is published according to Market Rule 2.5.7, which requires the IMO to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

Submission details

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Organisation: System Management
Date submitted: 17 August 2007
Urgency: High – Fast Track

Details of the Proposal

System Management submits that currently the Reserve Capacity Refund Mechanism results in an inequitable treatment of certain Market Participants with respect to unplanned outages. Participants with Scheduled Generators that have available capacity greater than their Reserve Capacity Obligation Quantity (RCOQ) are penalised in the event of a forced outage of that extra capacity.

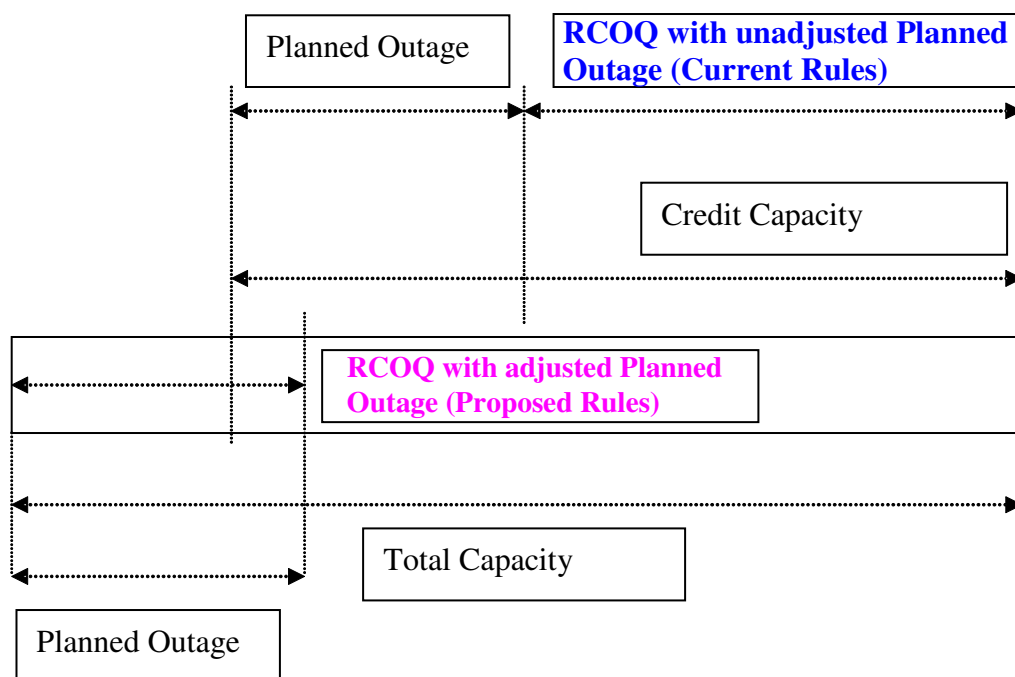
For example, if a facility that is providing 120 MW, with an RCOQ of 100 MW, has an unplanned outage of 30 MW, the Participant will pay refunds for the entire 30 MW. This is inequitable as the Participant only receives payment for the provision of 100 MW of capacity. In effect the Participant is being disadvantaged for providing capacity in excess of the requirement. An equitable approach would result in a refund for only 10 MW.

System Management submits that this discrepancy penalises those Participants with facilities that have available capacity greater than RCOQ. This may provide a disincentive for Participants to provide capacity to the SWIS in excess of their RCOQ. This, in turn, may impact upon Power System Security and Reliability, and reduce the opportunity for all Participants to schedule planned outages due to reduced system margins.

Following discussions with the IMO and Verve Energy, System Management proposes to adjust both Forced and Planned Outages, to take into account the amount of the excess capacity available at 41 degrees Celsius for both types of outages.

Currently, the RCOQ is reduced from the Reserve Capacity Credits awarded to a facility by a Planned Outage. Without adjusting the Planned Outage amount, the facility RCOQ will be reduced from the capacity credits to a level that would result in a capacity below that which the facility is capable of providing. It is therefore appropriate to adjust the Planned Outage to take into account the excess capacity before adjusting the facility's RCOQ.

The adjusted Planned Outage amount would therefore reduce the facility RCOQ to the level marked as 'Proposed Rules' in the diagram below. This is the level the facility is capable of performing.



The Proposal and the Market Objectives

System Management submits that the proposed Rule Change will better address the following Market Objectives:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;

This Rule Change Proposal would encourage Participants to provide capacity to the SWIS which is in excess of their RCOQ. This would increase Power System Security and Reliability.

- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system;

This Rule Change Proposal would remove inequitable penalties to Participants with capacity in excess of their IRCQ, and would allow further opportunity for Participants to schedule planned outages due to increased system margins. Both of these would reduce costs to Participants and therefore reduce the long-term cost of electricity supplied to customers.

WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

System Management submits that the proposal aims to correct a manifest error in the Market Rules and should be resolved as soon as possible, using the Fast Track Rule Change process, on the basis that it satisfies Market Rule 2.5.9(b).

The IMO has decided to proceed with this proposal on the basis that the IMO's preliminary assessment indicated that the proposal is consistent with the Market Objectives.

The IMO has decided to process this Rule Change Proposal using the Fast Track Process, described in section 2.6 of the Wholesale Electricity Market Rules, on the basis that it satisfies the criteria in section 2.5.9(b) of the Rules.

Section 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- (a) is of a minor or procedural nature; or*
- (b) is required to correct a manifest error; or*
- (c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

Participants with Scheduled Generators that have available capacity greater than their RCOQ are currently penalised in the event of a forced outage. This was not the intent of the Market Rules. Participants should only have to pay refunds for outages that reduce their ability to meet their RCOQ. This is a manifest error that should be corrected in a timely manner to avoid further unintended financial consequences for the affected Participants.

The projected timelines for processing this proposal are:

- This Rule Change Notice published 27/08/2007
- Consultation period 28/08/2007 - 17/09/2007
- Final Report published 24/09/2007

CONSULTATION

Any Rule Participant wishing to be consulted regarding this rule change is invited to notify the IMO within 5 Business Days of this notice being published.

The IMO prefers to receive notifications for consultation by email to marketadmin@imowa.com.au.

Notifications may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
Attn: Dora Guzeleva, Manager Market Administration
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

PROPOSED AMENDING RULES

- 3.18.6. The information submitted in an Outage Plan must include:
- (a) identity of the Facility or item of equipment that will be unavailable;
 - (b) the quantity of any de-rating, where, if the Facility is a generating system, this quantity is in accordance with clause 3.21.5;
 - (c) the reason for the outage;
 - (d) the proposed start and end times of the outage;
 - (e) an assessment of risks that might extend the outage;
 - (f) details of the time it would take the Facility or item of equipment to return to service, if required; and
 - (g) contingency plans for the early return to service of the Facility or item of equipment (“Outage Contingency Plans”).
- 3.21.4. If a Facility or item of equipment that is on the list described in clause 3.18.2 or a Facility or generation system to which clause 3.18.2A relates suffers a Forced Outage or Consequential Outage, then the relevant Market Participant or Network Operator must inform System Management of the outage as soon as practical. Information provided to System Management must include:
- (a) the time the outage commenced;
 - (b) an estimate of the time the outage is expected to end;
 - (c) the cause of the outage;
 - (d) the Facility or item of equipment or Facilities or items of equipment affected; and
 - (e) for each affected Facility or item of equipment, the expected quantity of any de-rating available capacity by Trading Interval, where, if the Facility is a generating system, this quantity is to be submitted in accordance with clause 3.21.5.

3.21.5 The quantity of an outage notification submitted to System Management is the reduction in capacity from the relevant Facility's maximum capacity measured on a sent out basis at 41 degrees Celsius where the maximum capacity is as found in the Standing Data file for Temperature Dependence provided under Appendix 1(b) iv and converted to a sent out basis at 41 degrees Celsius. The remaining capacity, determined as the maximum capacity minus the notified outage, must be available to System Management for dispatch.

3.21.6 The following will apply for the purposes of clauses 7.3.4 (a) and 7.13.1 (e):

- a) outage data will be entered by Market Participants in System Management's computer interface system on a sent out basis at 15 degrees Celsius. System Management will convert the outage data to a sent out basis at 41 degrees Celsius by multiplying the outage quantity at 15 degrees Celsius by the ratio of the maximum capacity at 41 degrees Celsius to the maximum capacity at 15 degrees Celsius for the Facility as found in the Standing Data file for temperature dependence provided under Appendix 1(b) iv on a generated basis for that facility. Market Participants will submit the outage data at 41 degrees Celsius as displayed by System Management's computer interface system;
- b) System Management will calculate the Forced Outage (on a sent out basis at 41 degrees Celsius) for a Facility in a Trading Interval as the greater of:
 - i. zero and
 - ii. the sum of all Forced Outages notified for that Facility minus the difference of the Facility maximum capacity and its Reserve Capacity Obligation Quantity;
- c) System Management will calculate the Planned Outage (on a sent out basis at 41 degrees Celsius) for a Facility in a Trading Interval as the greater of:
 - i. zero and
 - ii. the sum of all Planned Outages minus the greater of:
 1. zero and
 2. the maximum capacity of the Facility minus its Reserve Capacity Obligation Quantity minus the sum of all Forced Outages notified for the Facility before the adjustment in (a) above is made by System Management; and
- d) System Management will calculate the Consequential Outage (on a sent out basis at 41 degrees Celsius) for a Facility in a Trading Interval as the greater of:
 - i. zero and
 - ii. the sum of all Consequential Outages minus the greater of:
 1. zero and

2. the maximum capacity of the Facility minus its Reserve Capacity Obligation Quantity minus the sum of all Forced Outages and the sum of all Planned Outages notified for the Facility before the adjustments in (a) and (b) above are made by System Management;
- e) the IMO will provide System Management the Reserve Capacity Obligation Quantity of each Facility as currently applicable;
- f) the maximum capacity used in this clause is the value defined in clause 3.21.5.

6.3A.2 By 9:00 AM on the Scheduling Day the IMO must have calculated and released to each Market Participant the following parameters to be respected by that Market Participant in forming its STEM Submissions for each Trading Interval in the Trading Day:

- (a) the Maximum Supply Capability where this equals the maximum Loss Factor adjusted quantity of energy, in units of MWh, that could be supplied during the Trading Interval based on the Standing Data of that Market Participant's Scheduled Generators and Non-Scheduled Generators and assuming the use of the fuel which maximises the capacity of each Facility:
 - i. less an allowance for outages of which the IMO has been made aware by System Management in accordance with clauses 7.3.4 or 7.3.6; and
 - ii. less, for each Market Participant that is a provider of Ancillary Services, the estimated Loss Factor adjusted quantity of energy, in units of MWh, that could potentially be called upon by System Management from that Market Participant after 1:00 PM on the Scheduling Day to meet Ancillary Service requirements for each Trading Interval of the Trading Day, as provided to the IMO by System Management in accordance with clauses 7.2.3B or 7.2.3C; and

where the Maximum Supply Capability may be higher than the actual capacity available during the Trading Interval;

[other subclauses not shown]

7.3.4. System Management must provide to the IMO the following information:

- (a) a schedule of Planned Outages, Forced Outages and Consequential Outages for each Registered Facility of which System Management is aware at that time, where outages are calculated in accordance with clause 3.21.6;
- (b) [Blank]

for each Trading Interval of a Trading Day, between 8:00 AM and 8:30 AM on the Scheduling Day prior to the Trading Day.

7.13.1. System Management must provide the IMO with the following data for a Trading Day by noon on the first Business Day following the day on which the Trading Day ends:

- (e) the schedule of all Planned Outages, Forced Outages and Consequential Outages relating to each Trading Interval in the Trading Day by Market Participant and Facility, for any Facility with a Reserve Capacity Obligation Quantity greater than zero, where outages are calculated in accordance with clause 3.21.6;

[other subclauses not shown]