



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Submission to Rule Change Proposal

RC_2013_09: Incentives to Improve Availability of Scheduled Generators

Submitted by

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Date submitted:	14-Feb-2014

Submission

Submissions for Rule Changes should be submitted to:

Independent Market Operator

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1. Please provide your views on the proposal, including any objections or suggested revisions.

Minor insertion: **4.26.1D (b) ii**: "...the total amount of Facility Reserve Capacity Deficit Refunds associated..."

Suggest terminology change: Under **4.26.1 C (b)**: Rather than calling a Planned Outage where a refund is payable a "Non-Refund Exempt Planned Outage" it would be clearer to call this a "**Refund Payable Planned Outage**" (ie. remove the double negative). The two outage types then being "Refund Exempt" and "Refund Payable". If adopted the Glossary name for this outage would also need updating.

General comment: Under PMR **4.27.5 (a)**: Bluewaters notes that reports which may require technical analysis or specialist input, and particularly when requested by the IMO (ie. they are not already underway or available) can take longer than 20 business days. Depending on the nature of the report requested the IMO should be able to afford some reasonable flexibility to the 20 day requirement or perhaps be prepared to accept a less technical scope of work to accommodate the 20 days requirement.

In relation to PMR **4.26.1A**: as noted in detail below in our comment regarding consequential outage and the calculation of Refund Days, Bluewaters believes outages which overlap a Consequential Outage period should not contribute to the calculation of Non-Refund Exempt Outages.

Under Responses to Market Participants:

Bluewaters wishes to address a comment raised by Tesla (**Comment 19 in Appendix 2**) in the Draft Rule Change Proposal (DRCP) relating to the treatment of consequential outages and their contribution to the Refund Exempt Planned Outage Count.

Comment/Change Requested	IMO's Response
<p>Now that a "limit" on Planned Outages has been proposed, it would not be correct to count Planned Outages (that would otherwise be Consequential Outages had the generator not submitted a Planned Outage request) against the percentage caps proposed.</p> <p>Tesla proposes that the Network Operator be given the ability to lodge Consequential Outage requests to both the generator and System Management, and if accepted, then the generator would be classified as being on "Consequential Outage" for that period of time. This Consequential Outage should not be counted against either the Forced or Planned Outage allowances proposed in clause 4.11.1D.</p>	<p>The IMO does not support Tesla's suggestion for the following reasons.</p> <ol style="list-style-type: none"> 1. System Management needs to know whether a Facility is undertaking maintenance during an outage, as this may affect how quickly the Facility can be brought back into service if the associated network outage is cancelled or ends early due to system security issues. 2. Any maintenance undertaken by a generator during a network outage would presumably reduce the maintenance that needed to be undertaken at other times, and so it is reasonable that these outages should be counted towards the Facility's Refund Exempt Planned Outage Count. 3. A Network Operator may not always have the details required to log a Consequential Outage for a generator, in particular where the exact timing and impact on specific generators is not known in advance.

Bluewaters strongly **disagrees** with the IMOs stance on this issue for the following reasons:

- A network Outage causing a consequential outage (CO) for a generation facility is not always forecast and can be acknowledged ex-post of trading nominations (eg. A faulty transformer causes a localised outage for 2-3 days) - thus the opportunity to perform maintenance is almost completely lost.
- A scheduled network outage (causing a CO for a generation facility) *may* not actually give enough notice for a

participant to plan any maintenance of significance. There is no value or gain to the generator, only an additional penalty on top of the costs the 3rd party outage causes the participant.

- If System Management (SM) require a consequential outage of a generation facility and that network outage is shorter than planned, but the generation unit outage runs longer than that network outage the IMO should consider that at the least, only the overrun days should count towards the Refund Exempt PO Count. Effectively the days that don't align with the network outage (or the period of consequential outage) are (ex-post) acknowledged at Planned Outage days.
- A CO can have some significant costs to a participant (particularly a synchronised facility) → shutdown and restart costs, additional unplanned maintenance (equivalent operating) hours, and potentially energy purchases to satisfy bilateral obligations. Bluewaters believes adding additional Planned Outage Hours to the Outage Count is frankly, adding insult to injury. (Refer above, we propose that only outage days outside the 'consequential range' should be added.
- The IMO's presumption that any outage performed would presumably negate or reduce the duration of some future planned outage or maintenance is absolutely incorrect. In the case of annual outages a participant will likely have a much longer critical path (unless the CO is particularly long, eg. Over 14 days) and such long outages require months of planning and lead-time. As such the facility is simply seeking to get *some* value from an outage that is forced due to third party activities and that is otherwise going to be an unplanned expense.
 - o Furthermore, performing some preventative maintenance during a CO may improve near-term reliability, however that same maintenance may still need to be performed at the next outage or in fact may subsequently misalign that maintenance with the asset management plan.
 - o AN (exaggerated) example to demonstrate this is that a unit forced to take 18 x 1-day COs would not therefore negate their planned 18-day. The critical path of an outage typically includes many parallel pieces of work. Performing one or some of those works is highly unlikely to shorten any major planned outage at all.
- The point that a "Network Operator may not always have the details required to log a Consequential Outage for a generator" is not a reason to include those CO days in the facility's Outage Count. The participant can simply lodge a CO request after the event (as is the case now), there is no need to put any obligation on a 3rd party. Where a unit's PO is inside the CO range no additional should be made to the Outage Count.

It appears the IMO's current RC proposal in this regard is simply trying to deny the participant/generator any 'consequential benefit' as a result however it is difficult to what benefit this imposition provides to the market or the SWIS itself. The costs of a genuine CO are likely to outweigh the "benefits" of that outage and as noted earlier a CO is in practice unlikely to reduce any future outage requirements for that facility.

Bluewaters supports Tesla's assertion that where a facility's outage falls within a consequential outage period **none** of those intervals/days should form a part of the Outage Count for that facility.

Re: Comment 30 in Appendix 2 (Bluewaters regarding Refund Rate applicable to non-Refund Exempt Planned Outages): The IMO notes two reasons for not implementing a cap on Planned Outage Refund rates i. Difficulty/expense to implement and ii. The IMO aims to incentivise participants to adequately plan outages to times of highest availability.

Bluewaters is not convinced it is particularly difficult in this instance to implement a Minimum function in the calculation of Non-Exempt PO Refund payable calculations - such that the multiplier is simply a minimum of One or the prevailing Refund Multiplier. Regardless – generically, unless the cost to implement a solution is clearly excessive relative to the gain, or excessive relative to the long term overall impact to participants (ie. capacity providers and customers) – Bluewaters does not agree that cost/difficulty to implement, unless it involves a lengthy system-wide implementation/overhaul is generally a valid reason not to implement what may be a more correct, long term solution of materiality. In this case Bluewaters is not satisfied that cost/difficulty is a justification for not considering the proposal.

Bluewaters otherwise acknowledges that the IMO's intent to incentivise better (perhaps best practice) outage planning, is well founded and justified. There is no doubt that if Planned Outages can be approved when the refund multiplier is greater than 1x that a participant should be incentivised to seek an alternate time to conduct their planned

outage if possible.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

Bluewaters remains supportive of the overall concepts and the majority of details in the proposed rule changes. Bluewaters believes the proposed rule changes will better facilitate the Objectives of the Market Rules primarily by providing incentives to improve availability and signals (to existing and potential capacity providers) around the likely viability of low-availability plant.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

Bluewaters does not anticipate any material impact on systems or implementation costs as a result of this rule change.

Some additional monitoring of rates may be required and the practical impact and outcomes of the various margins (eg. Combined forced-planned outage rates, forced outage thresholds etc) is difficult to fully assess (therefore it is difficult to assess any likely behaviour change or the impact of three and five year business and asset management plans for example).

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

Anticipate negligible time required to implement changes or adapt process at this stage.
