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21 June 2007

Dear Dora



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WEM Rule Change Proposal RC 2007 03 – Treatment of DSM in outage planning and PASA

Thank you for the opportunity to provide comments on Rule Change Proposal RC 2007 03 "Treatment of DSM in outage planning and PASA". This letter sets out the view of Alinta Sales Pty Ltd (Alinta).

The proposed change

On the 3rd of May 2007 System Management submitted RC 2007 03.

System Management proposed to change the market rules relating to the outage planning process and the process related to Projected Assessment of System Adequacy (PASA) studies. The current version of the market rules (clauses 3.16, 3.17, 3.18 and 3.19) requires that System Management take account of the available capacity from Demand Side Management (DSM) when conducting its outage planning and PASA studies.

System Management has proposed to change the market rules to allow System Management discretion as to whether to include DSM in its estimates for outage planning and PASA studies.

Alinta's view

Alinta is sympathetic to System Management's proposal to allow more discretion in relation to how DSM is reflected when conducting PASA studies and outage planning. However, Alinta is also concerned that the proposal in its current form effectively places no value on DSM's contribution to system capacity and security.

Alinta therefore proposes to amend some of the proposed wording in the rule change proposal to allow System Management discretion in forming *a reasonable forecast* of available DSM to be included when conducting PASA and outage planning studies.

Alinta considers that the following changes to the proposed text of the market rules should be made (numbering as per System Management's submitted change proposal):

a. Revision to clause 3.18.11(aA) from:

The capacity of the total generation and Demand Side Management Facilities remaining in service must satisfy the Ready Reserve Standard described in clause 3.18.11A;

to

The total capacity of the generation Facilities remaining in service, and System Management's reasonable forecast of total available Demand Side Management~~which may at System Management's discretion include Demand Side Management~~, must satisfy the Ready Reserve Standard described in clause 3.18.11A;

b. Revision to clause 3.19.6(a) from:

The capacity of the generation and Demand Side Management Facilities remaining in service must be greater than the load forecast for the relevant time period.

to

The capacity of the generation Facilities remaining in service, and System Management's reasonable forecast of total available Demand Side Management~~which may at System Management's discretion include Demand Side Management~~, must be greater than the load forecast for the relevant time period.

c. Deletion of clause 3.16.9(c) and inclusion of new clause 3.16.9A as:

In submitting the information described in clause 3.16.9, System Management ~~may, but is not required to,~~ must include a reasonable forecast of total available Demand Side Management capacity by week and by constrained region.

d. Revision to clause 3.16.9(d)(iii) from:

The total available Demand Side Management capacity;

to

System Management's reasonable forecast of the total available Demand Side Management capacity~~the total available Demand Side Management capacity, which may be included at System Management's discretion.~~

e. Deletion of clause 3.17.9(c) and inclusion of new clause 3.17.9A as:

System Management ~~may, but is not required to~~ must, include in the results of a Short Term PASA study which is provided to the IMO ~~a reasonable~~ the forecast of total available Demand Side Management capacity by six-hour period.

f. Revision to clause 3.17.9(d)(iii) from:

The total available Demand Side Management capacity;

to

a reasonable forecast of the total available Demand Side Management capacity, ~~which may be included at System Management's discretion.~~

Alinta supports an amended version of the rule change as set out above, and considers such an amended version would better facilitate achievement of objectives (a), (b) and (d) of the market rules¹. Alinta considers that the change proposal in its original form may better facilitate achieving the part of objective (a) that relates to promoting a safe production of electricity. However, Alinta considers the original change proposal may also be detrimental to promoting the economically efficient production and supply of electricity if a reasonable forecast of DSM's contribution to system capacity is not included when conducting outage planning and PASA studies. Alinta is also concerned that the original proposal may undermine the value of DSM's contribution to system capacity and therefore negatively impact on the achievement of objective (d).

Alinta's assessment against the objectives of the market

Alinta considers the change proposal has the following impact on the objectives of the market:

Objective	Identified impact
(a)	Alinta considers the proposed amended version of the rule change proposal would better facilitate achievement of objective (a) as the flexibility given to system management to use its judgement when including DSM for its PASA studies and outage planning should ensure an appropriate balance between efficiency in the outage planning and PASA studies with the safe and reliable operation of the SWIS.
(b)	Alinta considers the change proposal, with our proposed amendments, would ensure facilitation of objective (b) of the market rules. Alinta considers that without the proposed changes, no value will be placed on DSM in future, effectively removing DSM from the mix of potential capacity providers. That would be to the detriment to encouraging competition among generators and retailers.
(c)	Alinta has not identified an impact on this objective.
(d)	Alinta considers the change proposal, with our proposed amendments, would ensure facilitation of objective (d) of the market rules. Alinta considers that without the proposed changes, no value will be placed on DSM in future, effectively removing DSM from the mix of potential capacity providers. That would be to the detriment of ensuring the most efficient and cost effective provision of capacity in the SWIS in the long term.
(e)	Alinta has not identified an impact on this objective.

¹ The objectives of the Market Rules are contained in Market Rule 1.2.1 and 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"

(e) "to encourage the taking of measures to manage the amount of electricity used and when it is used"

IT systems and cost implications

Alinta has not identified any significant cost impact for its own IT systems. There may be cost implications for any changes required to the system management's IT systems.

Time required for implementation

Alinta has not identified any significant necessary changes to its own systems and procedures and anticipates that only minor changes will be required for other market participants. Alinta therefore proposes that the rule change, with proposed amendments, be implemented as soon as possible.

Please call me on 08 6213 7304 to discuss any of the issues raised in this letter in more detail.

Yours sincerely



Kristian Myhre
Manager Market Analytics
Alinta Sales Pty Ltd