



Final Rule Change Report
Title: Information from Network
Operators

Ref: RC_2008_14

Standard Rule Change Process

Date: 20 October 2008

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Independent Market Operator

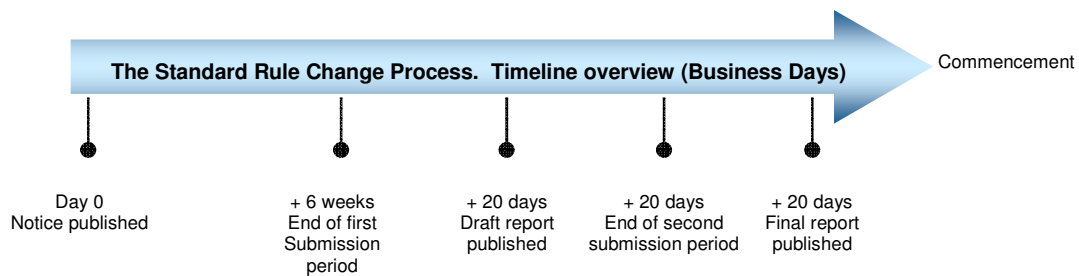
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1. INTRODUCTION

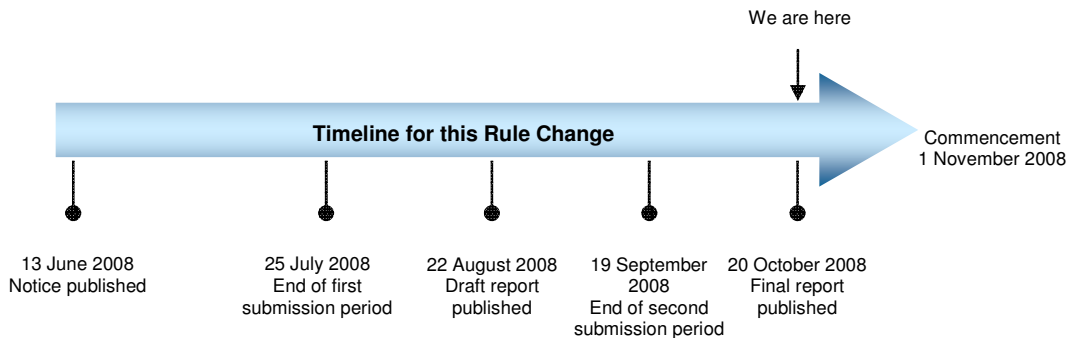
On 10 June 2008, the IMO submitted a Rule Change Proposal regarding changes to clauses 4.11.5 and 10.2.2 of the Wholesale Electricity Market Rules (Market Rules).

This Proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The standard process adheres to the following timelines, outlined in section 2.7 of the Market Rules:



The key dates in processing this Rule Change Proposal are:



Based on its own analysis and the submissions received, the IMO's final decision is to implement the Rule Change in the form outlined in section 7 of this Report.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.8 of the Market Rules.

The amendments to the Market Rules made as a result of this Rule Change Proposal will commence at 08.00am on 1 November 2008

2. THE RULE CHANGE PROPOSAL

2.1. Submission Details

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Address:	Level 3, 197 St Georges Terrace, Perth WA 6000
Date submitted:	10/06/2008
Urgency:	Medium
Change Proposal title:	Information from Network Operators

2.2. Details of the Proposal

The IMO submitted that, when deciding how to assign Certified Reserve Capacity, it relies on information provided to it by the Market Participants who apply for that Certified Reserve Capacity.

In order to make its decision-making processes more robust, the IMO considered that it should be able to seek more comprehensive information from Network Operators in relation to applications for Certified Reserve Capacity. Specifically, the IMO needs to:

- Confirm that all information provided to it is complete, accurate and up to date; and
- Be provided with any other information that is in the possession of Network Operators which may be relevant to the application for Certified Reserve Capacity.

The IMO recognised in its submission, however, that the information provided by the Network Operator may be confidential and commercially sensitive. It proposed that any information provided to it in this way should be protected from further disclosure by creating a new class of confidentiality status that would apply to the information received from Network Operators in connection with applications for Certified Reserve Capacity. All such information would be confidential to the relevant Market Participant and the Network Operator that provided the information to the IMO.

2.3. The Proposal and the Market Objectives

The IMO's assessment on how these amendments will allow the Market Rules to better address the market objectives is contained in section 6.1.2 of this Report.

2.4. Amending Rules proposed by the IMO

The IMO proposed the following amendments to the Market Rules (added words are underlined and deletions are shown with ~~strikethrough~~):

Clause 4.11.5

4.11.5. In assigning Certified Reserve Capacity to a Facility, the IMO may:

- (a) seek information from Network Operators to confirm the accuracy of that the data and information provided to it by or on behalf of an applicant for Certified Reserve Capacity is complete, accurate and up to date; and
- (b) request that a Network Operator provide the IMO with any other information held by the Network Operator that the IMO or the Network Operator reasonably considers is relevant to the application, but,

and Network Operators must cooperate with such requests by providing the information requested within the timeframe specified by the IMO in the request. other than the name of the Facility, must not provide information to Network Operators that was provided to it as part of an application for Certified Reserve Capacity except with the permission of the applicant.

Clause 10.2.2

10.2.2. The classes of confidentiality are:

- (a)
-
- (e); ~~and~~
- (f); and
- (g) Rule Participant Network Restricted, in which case the relevant information or documents may only be made available to:
 - i. a specific Rule Participant;
 - ii. the relevant Network Operator;
 - iii. the IMO;
 - iv. the Energy Review Board;
 - v. the Economic Regulation Authority; and
 - vi. any other Regulatory or Government Agencies in accord with applicable laws.

2.5. *The IMO's Initial Assessment of the Proposal*

The IMO decided to proceed with the proposal on the basis of its preliminary assessment, which indicated that the proposal was consistent with the Wholesale Market Objectives. This preliminary assessment was published in a Rule Change Notice on 13 June 2008.

3. SUBMISSIONS RECEIVED IN THE FIRST SUBMISSION PERIOD

The IMO received four submissions on the changes proposed by the IMO. The submissions are summarised below, and the full text is available on the IMO web site.

3.1. Market Advisory Committee

The Market Advisory Committee (MAC) discussed the IMO's proposed rule change at its meeting on 12 March 2008.

MAC discussed whether this proposal could create a conflict with confidentiality provisions embedded in other legal instruments (i.e. Standard Access Contracts, etc.).

It was decided that Western Power investigate whether the proposed rule change could introduce problems relating to breach of confidentiality and advise the IMO of its findings.

It was also proposed to change the amended wording of clause 4.11.5 to read that the IMO specify a "reasonable timeframe.." for the provision of information by Network Operators.

It was agreed that the proposal could proceed once Western Power had investigated if the rule change may bring about the potential for the confidentiality provisions applying to network operators to be conflicted.

3.2. Submission from Landfill Gas & Power Pty Ltd (LGP)

LGP supported the proposed Rule Change on the grounds that it seeks to improve the capacity certification process without material impact on applicants for certification.

LGP was satisfied with the proposal as it stands but requested that the IMO ensures that the proposed revision to 10.2.2 allows only the relevant Rule Participant access to the confidential information.

LGP supported the IMO's argument that the Rule Change would promote the reliable production and supply of electricity and electricity related services in the SWIS by enhancing the reliability of the Reserve Capacity Mechanism.

3.3. Submission from Synergy

Synergy supported the proposed rule change. Synergy's support was contingent, however, on the inclusion of strong confidentiality protections (i.e., the addition of a new class of confidential information, "Rule Participant Network Restricted," under Rule 10.2.2).

Synergy agreed that the proposed rule change would facilitate market operations by requiring Network Operators to provide more complete and accurate information on Certified Reserve Capacity.

3.4. Submission from System Management

System Management agreed with the intention of the proposal but considered that the amended clause 10.2.2(g) required an addition. System Management submitted that the rule change be amended to include System Management within the 'Rule Participant Network Restricted' confidentiality class. In this way, the IMO can provide

relevant information to System Management where necessary to assist in the exercise of System Management's functions.

System Management asserted that it is occasionally necessary for the IMO to consult with System Management regarding applications for Certified Reserve Capacity. The rule change as presently drafted would prohibit such consultation where the consultation involves the dissemination of information received from the Network Operator.

System Management was of the opinion that if the proposed rule change is amended to incorporate its suggested revisions, the proposal will bring about more efficient and effective Market processes which adhere to the Market objectives.

3.5. *Submission from Western Power*

In short, Western Power supported the intention of the proposal but had some reservations regarding the proposed wording.

First of all, Western Power considered the wording of the proposed rule change too broad and possibly onerous. Western Power stated that the nature of the information sought is not specified and therefore the IMO could potentially ask for anything from Western Power. In Western Power's opinion, the rule should specify in reasonable detail what type of data the network operator is to provide, and it should be data that the network operator has on hand which does not require significant research or effort to compile.

Western Power asserted that it already has onerous obligations to provide data to numerous government bodies, and any additional burden would need to be properly resourced.

Secondly, Western Power raised the issue of possible exposure of the network operator's confidential material. Western Power stated that the rule change should acknowledge that the network operator may be prevented from disclosure of some data due to privacy requirements and confidentiality requirements. Western Power went on to claim that most access information is confidential under the Electricity Networks Access Code 2004 and the Economic Regulation Authority's approved standard access contract and with this in mind an applicant may be in a better position to provide the required information under a statutory declaration.

Thirdly, Western Power was of the opinion that any deadline imposed by the IMO for the provision of information must be reasonable and subject to extension and appeal.

The fourth issue of concern to Western Power was the amount of work generated for the network operator as a result of the implementation of this rule change. Western Power submitted that it has statutory obligations to act commercially and where the amount of work involved in providing the IMO with requested information is significant Western Power may be entitled to seek an appropriate fee for its services.

Lastly, Western Power advised that a 'free flow' of certain information between System Management and the IMO is required. Western Power explained that system outages are planned up to three years in advance and system security could be compromised due to decisions regarding planned outages being made without System Management being fully cognisant of the likely system operating state at the time.

Western Power considered that changes should be made to the amending rules which take into account the issues raised above.

The IMO noted in its draft report that Western Power has been consulted extensively on this rule change proposal and invited to comment several times. While Western Power's submission was received late the IMO has considered it as outlined below.

3.6. Public Forums and Workshops

No public forums or workshops were held in relation to this Rule Change. However a meeting with Western Power was held on Thursday 14 August 2008 to discuss Western Power's submission.

MAC

At the MAC meeting on 12 March, it was proposed to change the amended wording of clause 4.11.5 to read that the IMO specify a "reasonable timeframe.." for the provision of information by Network Operators. The IMO has revised the wording of the amending rules in accordance with MAC's proposal.

System Management

As a result of System Management's submission, the IMO proposed to amend the proposed clause 10.2.2(g) to include System Management as a party to which the information can be disclosed.

Western Power

At the meeting held between the IMO and Western Power, the network operator requested a few changes be made to the wording of the amending rules. These changes included specifying that, under clause 4.11.5, the IMO may only request information that relates to clause 4.10.1(c)(i) and changing the scope of 4.11.5(a) so that network operators must only confirm that data is complete and accurate as opposed to providing information to this effect.

Also it was agreed to amend 4.11.5(b) so that the onus is solely on Western Power to determine whether information it provides to the IMO is relevant to an application for Certified Reserve Capacity.

Lastly, it was decided to use the term 'best endeavours' in relation to Western Power's timeliness in providing information to the IMO within a specified timeline. This was inserted to cater for the fact that Western Power may not be able to carry out the IMO's request due to circumstances outside of its control.

It was agreed between the IMO and Western Power that since the Network Operator is also a Rule Participant and therefore bound by the Market Rules, the Network Operator would be able to provide information to the IMO without breaching the confidentiality provisions 14.14 and A2.12 in the Electricity Networks Access Code, and 6.2, 32.1 and 32.4 in Western Power's approved access arrangement.

As a result of the above, the IMO proposed to change the amending rules as follows:

Clause 4.11.5

4.11.5. In assigning Certified Reserve Capacity to a Facility, the IMO may:

- a) _____ require Network Operators to confirm the accuracy of that the data and information related to clause 4.10.1(c)(i) provided to it by or on behalf of

an applicant for Certified Reserve Capacity is complete, accurate and up to date; and

(b) request that a Network Operator provide the IMO within a reasonable timeframe with any other information held by the Network Operator that the Network Operator reasonably considers is relevant to the application; but,

and Network Operators must use its best endeavours to cooperate with such requests and provide the information requested within the timeframe specified by the IMO in the request. other than the name of the Facility, must not provide information to Network Operators that was provided to it as part of an application for Certified Reserve Capacity except with the permission of the applicant.

Clause 10.2.2

10.2.2. The classes of confidentiality are:

(a)

.....

(e); and

(f); and

(g) Rule Participant Network Restricted, in which case the relevant information or documents may only be made available to:

i. a specific Rule Participant;

ii. the relevant Network Operator;

iii. System Management;

iv. the IMO;

v. the Energy Review Board;

vi. the Economic Regulation Authority; and

vii. any other Regulatory or Government Agencies in accord with applicable laws.

4. THE IMO'S DRAFT DECISION

4.1. *The IMO's Draft Decision*

The IMO's draft decision was to implement the proposed amendments to clauses 4.11.5 and 10.2.2 of the Market Rules as proposed by the IMO and amended following the first submission period.

The IMO made its draft decision on the basis that the resulting Amending Rules will allow the Market Rules to better address the Wholesale Market Objectives.

The wording of the relevant Amending Rules is presented in section 7 of this Report.

5. SUBMISSIONS RECEIVED IN THE SECOND SUBMISSION PERIOD

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 25 August 2008 and 19 September 2008. The IMO did not receive any submissions during this time.

6. THE IMO'S ASSESSMENT AND THE IMO'S FINAL DECISION

6.1. Assessment

6.1.1 Submissions

All parties responding to the IMO's invitation for submissions expressed support for the Rule Change Proposal albeit with requests for changes to be made to the amending rules made by Western Power and System Management as outlined in section 3.6.

6.1.2 The IMO's Assessment

According to clause 2.4.2 of the Market Rules *"the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives"*.

The IMO considers that the proposed Amending Rules will have the following impact on how the Market Rules address the Wholesale Market Objectives:

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	a
Consistent with objective	b, c, d and e
Inconsistent with objective	-

The IMO's assessment against market objective (a) is as follows:

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

The proposed amendments allow the Market Rules to better address market objective (a) by allowing the IMO to obtain more robust information to assist it in assessing applications for Certified Reserve Capacity and thus promote the reliability of the Reserve Capacity Mechanism.

In accordance with Clause 2.4.3(b) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must also have regard to the practicality and cost of implementing the Amending Rules.

The proposed changes will not require any changes to the Wholesale Electricity Market Systems operated by the IMO. No other costs have been identified in relation to the implementation of the proposed changes.

6.2. The IMO's Final Decision

The IMO's final decision is to implement the proposed amendments to clauses 4.11.5 and 10.2.2 of the Wholesale Electricity Market Rules as proposed by the IMO and amended as a result of the public consultation process.

The IMO has made its draft decision on the basis that the resulting Amending Rules will allow the Market Rules to better address the Wholesale Market Objectives.

The wording of the relevant Amending Rules is presented in section 7 of this Report.

6.3. *Amending Rules Commencement*

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **08.00am** on **1 November 2008**.

7. PROPOSED AMENDING RULES

The IMO proposed the following amendments to the Market Rules (added words are underlined and deletions are shown with ~~strikethrough~~):

Clause 4.11.5

4.11.5. In assigning Certified Reserve Capacity to a Facility, the IMO may:

(a) require Network Operators to confirm the accuracy of that the data and information related to clause 4.10.1(c)(i) provided to the IMO provided to it by or on behalf of an applicant for Certified Reserve Capacity is complete, accurate and up to date; and

(b) request that a Network Operator provide the IMO within a reasonable timeframe with any other information held by the Network Operator that the Network Operator reasonably considers is relevant to the application, but,

and Network Operators must use its best endeavours to cooperate with such requests and provide the information requested within the timeframe specified by the IMO in the request. other than the name of the Facility, must not provide information to Network Operators that was provided to it as part of an application for Certified Reserve Capacity except with the permission of the applicant.

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i. a specific Rule Participant;

ii. the relevant Network Operator;

iii. System Management;

iv. the IMO;

v. the Energy Review Board;

vi. the Economic Regulation Authority; and

vii. any other Regulatory or Government Agencies in accord with applicable laws.

8. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

Clause 2.5.1 of the Wholesale Electricity Market Rules (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 submitting this to the Independent Market Operator (IMO).

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 market objectives 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

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