
Wholesale Electricity Market Rule Change Proposal Submission Form

<RC_2009_08> Updates to Commissioning Provisions: Second Submission

Submitted by

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Submission

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

System Management's concerns about this particular rule change have only been reinforced by the Draft Report.

Significant concerns exist with the process adopted and analysis performed by the IMO. The Draft Report made several omissions regarding issues submitted by System Management, and the IMO evidently misunderstood other comments which were made.

Most importantly, the Rule Change, as drafted, will introduce inconsistencies in the Market Rules and, amongst other matters, will effectively prevent existing facilities from performing Commissioning Tests.

System Management maintains that the Rule Change requires further analysis.

In System Management's view there has been insufficient analysis performed to demonstrate that the proposed amendments meet the Market Objectives. System Management is happy to provide the IMO its analytical expertise to develop a Rule Change which meets the intentions of the proposal, does not introduce inconsistencies in the Market Rules, and meets the Market Objectives.

System Management stated in its first submission that it appeared the proposed Rule Change may not have been drafted in a way to allow sufficient time to analyse the extensive complexities regarding commissioning generally, and, in particular, late commissioning. Unfortunately System Management must extend these comments to the Draft Report.

Interrelation of clauses

In its first submission, System Management submitted that:

Further investigation is required to ensure that the proposed rule change adequately addresses all operational contingencies. For example, the interrelation of clauses 3.21A.4 (b), 3.21A.7, and 6.5.1A does not appear to have been fully considered. In the instance that a new generating facility provides System Management with a commissioning commencement date and time 6 months later than the date that their reserve capacity obligation commences, clause 6.5.1A may indicate that the facility is required to submit a resource plan in the interim. This situation appears to introduce operational complexities.

The IMO's response to this issue in the Draft Report was correct in indicating that were the commissioning not to complete within four months the facility would be required to have a Resource Plan and be subject to UDAP and DDAP. This situation is to be avoided. Even with a dispatch tolerance applied to compliance with Resource Plans, the protocol described in Chapter 7 of the Market Rules is only appropriate when a genuine deviation of a commissioned scheduled generator from its Resource Plan takes place. Imposing this protocol on a commissioning generator may appear to be inconsistent with the intent of the Market Rules.

However, the IMO failed to consider that this situation may occur at other times. In the proposed Rule Change, the Reserve Capacity Obligation Quantity (RCOQ) of the facility commences on 1st December. Therefore, on that date, the facility must:

1. be available for normal operation and provide a STEM submission and Resource Plan; or
2. have an approved Commissioning Test Plan.

The context of Commissioning Test Plans must be considered. Commissioning Test Plans must represent good faith by the Participant (MR 3.21A.5) and the Participant must conform to the Commissioning Test Plan approved by System Management (MR 3.21A.12). Finally, the first, or perhaps second, day of the Commissioning Test Plan must have the facility connect to the SWIS. This is because commissioning is only for the purpose of connecting to the SWIS.

If a facility is delayed (ie. the facility is unable to commence commissioning before 30 November), then the Participant must vary the Commissioning Test Plan and seek re-approval by System Management.

As an example, let the delay be two months. Due to proposed clause 3.21A.7(d) the Participant must request a Commissioning Test Plan to be approved from 1 February to 30 May to ensure that the maximum 4 months for commissioning is available. This would mean that from 30 November until 1 February the facility does not have an approved Commissioning Test Plan. In any case the facility cannot have an approved Commissioning Test Plan for this period as:

- it does not represent good faith (MR 3.21A.5); and
- the Participant cannot conform to the Commissioning Test Plan (MR 3.21A.12).

However, the RCOQ exists from 1st December, and therefore the facility must participate in the STEM and submit a Resource Plan. In regard to the Resource Plan, while the facility will be obliged to submit a full Forced Outage to System Management, they are not obliged to do so until 15 days after the Trading Day. Therefore, there is a possibility that the facility can be cleared in the STEM without the capability of synchronising to the SWIS. Disregarding the settlement outcomes, such a situation would cause significant operational issues for System Management.

Aside from operational Resource Plan issues, System Management submits that it is not the intention of the IMO that the facility participate in the STEM in this circumstance.

Commissioning Test Plans for Existing Facilities

The IMO failed to respond to, or even mention, this issue in the Draft Report. This is a crucial omission as it calls into question the entire concept of Commissioning Test Plans.

The proposed drafting of clause 3.21A.7 is:

3.21A.7. System Management must accept a request for a Commissioning Test unless:

(a) inadequate information is provided in the request; or

(b) the conduct of the test at the proposed time would pose a threat to

Power System Security or Power System Reliability; or

(c) ~~clause 3.21A.7A applies.~~ [Blank]

(d) more than four months have elapsed since the relevant generating system was first connected to the SWIS for testing purposes, as specified in the information submitted to System Management under clause 3.21A.4.(b).

In other words, System Management must **not** approve a Commissioning Test Plan if (a) or (b) or (c) or (d) exists. Therefore, System Management may not approve a Commissioning Test Plan for any facility (new or otherwise) if four months have elapsed since first synchronisation.

Both new and existing facilities have cause to submit a Commissioning Test Plan. However the operation of new sub-clause (d) above would preclude the approval of Commissioning Test Plans for an existing facility, thereby rendering this concept unusable. This restriction would present a major issue for all Participants and to the preservation of system security. Such a change cannot possibly be consistent with the Market Objectives.

In our view, it appears that the IMO did not properly or correctly apply the Market Objectives in signalling the approval in the Draft Report of a rule change which precludes commissioning for existing facilities.

Transparency of Commissioning Test Plans

System Management raises four principal concerns with the rule change to create transparency of Commissioning Test Plans:

1. whether System Management is the correct party to provide the information to the IMO;
2. to ensure that any transparency of information does not reduce the quality and quantity of information provided to System Management;
3. uncertainty of application; and
4. the value of the information.

In summary, System Management believes that the IMO has failed, in the Draft Report, to properly apply the Market Objectives in assessing its own rule change.

Participant providing information

In the Draft Report, the IMO failed to address the suggestion proffered by System Management that participants', rather than System Management, be responsible for provision of Commissioning Test Plan information to the IMO (per proposed new clause 3.21A.16).

System Management submitted:

However, if the IMO chose to continue with this change in general, then it is submitted that this obligation should be imposed directly on the relevant Market Generator, rather than System Management.

The failure to address this element of the submission is a crucial omission. In its absence, the IMO has determined that System Management is the proper party to perform this function without providing any reason for this finding.

At the workshop, whilst this issue was mentioned, participants were not canvassed as to their preference and System Management remains unconvinced that it is the correct party to provide such information to the IMO.

In addition, the rule change process is designed to be two-stage, with clear draft and final assessment stages. Clause 2.7.7(b) clearly imposes an obligation on the IMO in the Draft Report to consider and respond to *all* issues raised in submissions. A failure by the IMO to discharge this obligation would be inconsistent with the Market Rules and restrict consideration of this significant change. It would be unsafe for the IMO to proceed to a Final Rule Change Report on this issue.

Quantity and Quality of Information

The IMO has indicated that transparency helps achieve a competitive effective market. However, as Commissioning Test Plans will become available to all Market Participants, a possible effect of clause 3.21A.16 will be to minimise information provided to System Management.

System Management's recent experience with providing approved outage information to all Participants indicates that some Participants prefer not to provide full details on commercially sensitive issues to other Participants. Therefore, in requiring all the information set out in a Commissioning Test Plan to be transparent, System Management is concerned that Participants will provide the minimum information required, and will conceal commercially sensitive information which is relevant and necessary to power system operations.

System Management relies on the information contained in Commissioning Test Plans for real-time planning of power system operations. A dearth of information in Commissioning Test Plans could well have deleterious effects on Power System Security, if information provided is neither wholly accurate nor comprehensive.

This is a particular risk as there is no adequate mechanism within the rules to ensure participants comply with the accurate information requirement. This is because commissioning units, due to the nature of the commissioning activities, frequently deviate from their intended commissioning program. Consequently System Management expects that an obligation for Commissioning Test

Plans to be transparent will create additional impediments to secure real-time power system operations. System Management therefore questions how the proposed transparency rule change can be considered to be consistent with the Market Objectives.

Uncertainty of Application

The IMO, in the Draft Report, specified a timeframe for provision of Commissioning Test information to the IMO.

However clause 3.21A.16 remains uncertain in its application. The obligation applies to all Commissioning Test Plans, including those applying at 4.30pm on each day.

Information regarding Commissioning Test Plans during the day varies, due to Participant specific or Power System operation issues, and the variation to the plan is frequently verbally approved. Due to this, System Management is uncertain how the obligation can be met, particularly for those units with verbal agreement to vary the test plan on the day. It is submitted that this obligation needs to be more carefully established, if it proceeds. To avoid doubt it must be made clear in the amended rule that this obligation applies only to future Commissioning Test Plans, and not to Commissioning Test Plans applicable during that day.

Value of the Information

The IMO has indicated that commissioning plants impact on both the balancer and market prices and the increased day-ahead transparency around Commissioning Plans would allow for greater certainty and planning. As Verve Energy has not made a submission, it is difficult to determine the full effect on the balancer.

However System Management cannot reconcile the proposed SWIS Restricted confidentiality status of Commissioning Test Plans (as per proposed rule 10.6.1 (f)) with the current Rule Participant Market Restricted status for Resource Plans. System Management submits that Commissioning Test Plans should reflect the same level of transparency as Resource Plans.

Clearly a Commissioning Test Plan is analogous to a Resource Plan of an intermittent generator. Both are a forecast from which the facility is likely to frequently deviate. System Management is unable to see how transparency of Resource Plans for intermittent generators would allow greater certainty and planning for another Market Participant.

Further, and an important factor which the IMO's assessment doesn't address, is that System Management provides a daily Dispatch Plan for the balancer which itself takes account of test details that are required due to commissioning (such as a load rejection test). The needs of the balancing party are therefore addressed.

It is difficult to understand the benefits that will be realised through transparency of Commissioning Test Plans, and certainly the Draft Report does not adequately address this. We reiterate that "greater visibility" is not itself sufficient to underpin such a significant rule change.

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

In System Management's opinion, the proposed Rule Change does not fully support the Market Objectives as it may introduce consequential issues and introduce unnecessary cost, and in some cases is entirely inconsistent with the Market Objectives. As an example, the drafting appears to preclude approval of Commissioning Test plans for existing facilities.

Further, in the Draft Report, the IMO does not appear to have followed the process prescribed in the Market Rules. In particular, clause 2.7.7 stipulates that the draft Rule Change Report must contain:

...

(b) all submissions received before the due date for submissions, a summary of those submissions, and the IMO's response to issues raised in those submissions;

...

(e) the IMO's assessment of the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3;

...

The Draft Report of the IMO has not considered all issues raised in submissions, and therefore cannot have determined appropriately whether the proposal is consistent with the Market Objectives.

In addition, the IMO has stated that clause 3.21A.16 is consistent with the Market Objectives without providing any reasons for this assessment. As submitted above, System Management is of the view that the change is actually inconsistent with the Market Objectives.

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.

This Rule Change will involve significant changes to System Management's IT systems and operational processes.

Clause 3.21A.16, as drafted, will require System Management to develop a system to obtain details of Commissioning Test Plans from Participants, allow approval of those plans, and provide the information to the IMO. It is envisaged that such changes will cost in the order of \$100,000.

Further, System Management understands that the cost indicated by the IMO to change the Wholesale Electricity Market System as a result of this proposal (\$17,000) does not include modifications as a result of proposed Rule 3.21A.16.

Therefore, the IMO cannot have properly considered clause 2.4.3(b) in making the decision in the Draft Rule Change Report.

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

Clause 3.21A.16, as drafted, will require System Management to develop a system to obtain details of Commissioning Test Plans from Participants, allow approval of those plans, and provide the information to the IMO. It is envisaged that the earliest that development of such changes can commence is July 2010.
