

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, with their blades extending outwards. On the right, a tall, lattice-structured power transmission tower stands prominently. The overall scene is set against a clear sky and a hilly landscape.

Independent Market Operator

**Final Rule Change Report:
Updates to Commissioning
Provisions**

Ref: RC_2009_08

Date: 29 January 2010

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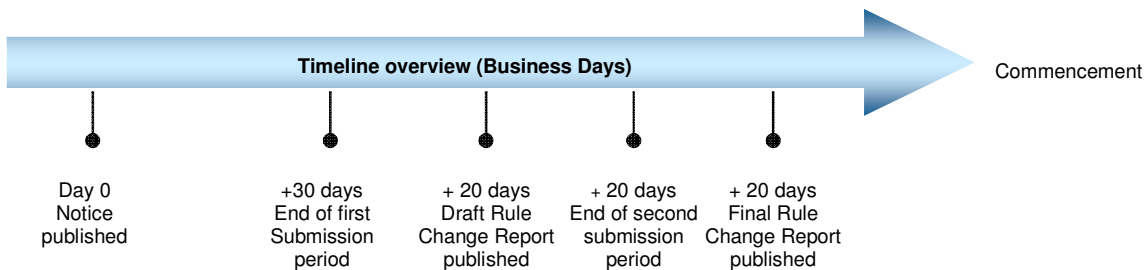
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1. INTRODUCTION

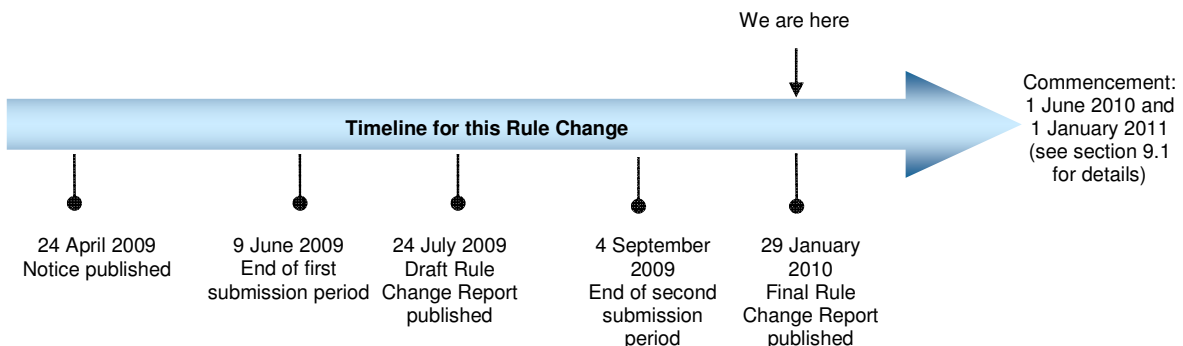
On 21 April 2009 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 3.21A.3, 3.21A.7, 3.21A.7A, 3.21A.16 (new), 4.12.6(c), 4.26.1A(a), 7.9.4 and 10.6.1 of the Wholesale Electricity Market Rules (Market Rules).

This proposal was processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules. The standard process adheres to the following timelines:



In accordance with clause 2.5.10 of the Market Rules the IMO decided to extend the timeframes for preparing the Draft Rule Change Report, the second submission period, and preparing the Final Rule Change Report of this Rule Change Proposal. Extension notices, under clause 2.5.12, were published on the IMO website.

The key dates in processing this Rule Change Proposal, as amended in the extension notices, are:



The IMO's final decision is to accept the Rule Change Proposal in a modified form. The detailed reasons for the IMO's decision are set out in section 7 of this report.

In making its final decision on the Rule Change Proposal, the IMO has taken into account:

- the Wholesale Market Objectives;
- the practicality and cost of implementing the proposal;
- the views of the Market Advisory Committee (MAC);and
- the submissions received.

All documents related to this Rule Change Proposal can be found on the IMO website: http://www.imowa.com.au/RC_2009_08

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

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Date submitted:	21 April 2009
Urgency:	High
Change Proposal title:	Updates to Commissioning Provisions
Market Rules affected:	Clauses 3.21A.3, 3.21A.7, 3.21A.7A, 3.21A.16 (new), 4.12.6 (c), 4.26.1A (a), 7.9.4 and 10.6.1

2.2 Summary Details of the Proposal

The Market Rules currently preclude System Management from approving a Commissioning Test for a new generator if that test is to occur after 30 November¹ of the year in which the new generator's capacity obligations take effect. This means that a new Facility commissioning after this date must operate and technically commission while trading in the energy market. As a result the Market Participant must submit Resource Plans for the Facility and is consequently exposed to Balancing deviation payments and compliance issues.

The IMO originally proposed:

- A separation of the treatment of commissioning in the Reserve Capacity Mechanism and the energy market;
- The introduction of a concept of allowing for late commissioning in the Market Rules. In particular, the ability for new generators to conduct Commissioning Tests post 30 November² of the relevant Capacity Year without:
 - needing to operate in the energy market;
 - submitting Resource Plans; and
 - being subject to UDAP and DDAP payments;
- That the late commissioning period be restricted to a defined period of four months, commencing from the date and time of the first connection to the South West interconnected system (SWIS) for testing purposes. System Management must not approve a commissioning date more than four months after this initial connection date;
- System Management be able to grant permission for new generators, who are carrying out Commissioning Tests, to synchronise; and
- The information supplied to System Management under clause 3.21A.4 regarding Commissioning Test plans is to be supplied to the IMO for publication (as SWIS restricted information). This is to allow greater visibility of Commissioning Test programming.

¹ Note that following the commencement of the Amending Rules resulting from RC_2009_11: Changing the Window of Entry into the Reserve Capacity Market (1 December 2009) Reserve Capacity Obligations will apply from 1 October (from the 2010 Reserve Capacity Cycle onwards). Further details of RC_2009_11 are available: http://www.imowa.com.au/RC_2009_11

² Amended (under RC_2009_11) to 1 October from the 2010 Reserve Capacity Cycle onwards.

The detailed information on the proposal is contained in Appendix 1 and can also be found in both the Rule Change Proposal and Draft Rule Change Report contained on the IMO's website.

2.3 The Proposal and the Wholesale Market Objectives

In its Rule Change Proposal, the IMO submitted that the proposed changes will allow the Market Rules to better address market objective (b):

- b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;*

By facilitating the efficient entry of new competitors, the proposed amendments will allow the energy market payments and the Reserve Capacity Obligations to be decoupled during commissioning of new generators. This will mean that the new generators will not be subject to UDAP and DDAP payments if commissioning post 30 November³. These payments will not apply for a four month period after first connection to the SWIS and which will reduce the financial risk associated with entering the market for new participants. This will potentially result in a greater amount of investment in new projects.

2.4 The Amending Rules Proposed by the IMO

The Amending Rules originally proposed by the IMO are available in the Rule Change Notice on the IMO website.

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.

3. FIRST SUBMISSION PERIOD

The first submission period for this Rule Change Proposal was between 28 April 2009 and 9 June 2009.

3.1 Submissions received

The IMO received submissions from Alinta, Griffin Energy, Landfill Gas & Power (LGP), and System Management. The submissions are summarised below, and the full text is available on the IMO website.

3.1.1 Submission from Alinta

Alinta supported the Rule Change Proposal.

Alinta submitted that the proposed Amending Rules would retain a strong financial incentive for Market Participants to complete commissioning of new Facilities ahead of periods of peak system demand. However, to the extent this cannot be achieved, the amended Market Rules would ensure that efforts by Market Participants to complete commissioning as soon as possible after 1 December were not unduly impeded.

³ Amended (under RC_2009_11) to 1 October from the 2010 Reserve Capacity Cycle onwards.

Alinta considered that the proposed amendments are consistent with Market Objectives (a), (b) and (d). Alinta contends that while the proposed amendments may not be inconsistent with Market Objectives (c) and (e), they are unlikely to have any effects on these objectives.

3.1.2 Submission from Griffin Energy

Griffin Energy supported the intent of this Rule Change Proposal, noting that it is resolving an anomaly in the Market Rules that could be deemed a manifest error and that this proposal could have been progressed using the Fast Track Rule Change Process.

Griffin Energy considered that the addition of new clause 4.26.1A (a) v introduces a new concept where it appears that late commissioning Facilities are deemed to not provide any capacity to the market throughout the Commissioning Test.

Griffin Energy asserted that the term Commissioning Test is ambiguous in that it might refer to a specific event within the commissioning process (sculpted event) or it may refer to the complete commissioning plan (block event). Griffin Energy considered that the correct interpretation is that the term Commissioning Test should refer to the complete commissioning plan (block event).

Given this ambiguity Griffin Energy posited that clause 4.26.1A (a) v has the effect of applying a total Forced Outage to a Facility for the duration of its commissioning, even if the Facility is able to provide a proportion of its capacity to the market. This requires that Capacity Cost refunds are paid for a Facility that is not commissioned by 30 November, as it is deemed to be in a Forced Outage from this time.

Griffin Energy considered that once the Facility begins commissioning (and begins making its capacity available to the market), it is (at least partially) meeting its capacity obligations. Therefore, Griffin Energy considered that the Forced Outage Shortfall for the Facility should be calculated as for other scheduled Facilities, with capacity unavailable to the market being deemed a Forced Outage for that interval. Griffin Energy considered that a Facility should not be penalised when it is making capacity available to the Market.

Griffin Energy considered that this proposal has positive impacts on market objectives (b), (c) and (d) and that there is no impact on market objectives (a) and (e).

3.1.3 Submission from Landfill Gas & Power

LGP supported the Rule Change Proposal on the grounds that an efficient and effective market should permit commissioning generators reasonable operational flexibility and immunity from financial impost.

LGP agreed with the following aspects of the Rule Change Proposal:

- new generators should not be ineligible for applying for a Commissioning Test solely because they are already registered;
- Commissioning Test status should not be prohibited after 30 November of the Capacity Year;
- new generators should be permitted to synchronise without a Resource Plan or Dispatch Instruction;
- commissioning generators should not be required to lodge Resource Plans and should not be exposed to UDAP and DDAP payments; and

- new generators should be liable for Capacity Refunds after 30 November.

LGP accepted the four month limit from first synchronisation on the granting of Commissioning Tests as being a pragmatic improvement on the current situation. However, LGP noted that a commissioning generator has sufficient incentives to complete commissioning as fast as possible and question the appropriateness of the four month limit, rather than no limit at all.

LGP contended that the Rule Change Proposal supports market objectives (a) and (b).

3.1.4 Submission from System Management

System Management generally supported the intention of the proposal but had some concerns regarding the drafting. In particular System Management contended that:

- the proposal may result in restricting Market Participants to commission for less than the intended four-month period. Clause 3.21A.4 (b) requires Market Participants to request permission to commission 20 Business Days before the first proposed synchronisation. System Management contends that if construction is delayed, the commissioning must still be complete four months from the original date i.e. the date indicated in the first Commissioning Test plan, not the date the generator actually first synchronised;
- the new clause 3.21A.7(d) may oblige System Management to reject a Commissioning Test plan which exceeds four months (for a generating system following first connection) and that some new Facilities may validly require a longer period of time than four months to fully commission;
- further investigation is required to ensure that the proposal adequately addresses all operational contingencies. System Management gives the example of the interrelation of clauses 3.21A.4(b), 3.21A.7, and 6.5.1A and the instance that a new generating Facility provides System Management with a commissioning commencement date and time six months later than the date that the Reserve Capacity Obligation commences. System Management contends that clause 6.5.1A may indicate that the Facility is required to submit a Resource Plan in the interim;
- the current drafting of clause 3.21A.7(d) may preclude approving a Commissioning Test plan for an existing Facility;
- the new clause 3.21A.16 requires System Management to provide all approved Commissioning Test plans to the IMO. System Management queried the necessity for this component of the Rule Change Proposal and how this furthers the market objectives. System Management raised a number of points regarding this:
 - System Management notes that information for impending Commissioning Tests is already provided for in either or both of ST PASA and MT PASA, which is published by the IMO on a monthly or weekly basis, respectively (refer to clauses 3.16.9(j) and 3.17.9(j));
 - the Commissioning Test plan information supplied to the IMO under this proposal, should be obtained directly from the relevant Market Generator, rather than System Management. If the obligation remains on System Management further IT development will be required;
 - there may be variations to an approved Commissioning Test program, both before the test commences and on the testing day itself and that the new provision under clause 3.21A.16 imposes an obligation to provide to the IMO each variation; and

- this may involve significant changes to System Management's IT systems and operational processes. System Management commented that it will only be able to indicate the time of implementation following the development of the Final Rule Change Report. System Management states that significant time may be required to provide the information detailed in clause 3.21A.16.

System Management considered that the proposal does not fully support the Wholesale Market Objectives as it may introduce consequential issues and costs.

3.2 The IMO's assessment of First Submission period responses

Of the four submissions received during the first submission period all supported the intent of the proposal, as the changes will help facilitate entry into the market by new competitors. This is achieved by allowing Commissioning Tests after 30 November⁴ of the Capacity Year and by not requiring new generators, while commissioning, to pay UDAP and DDAP during a specified period.

The IMO responded to each of the issues raised during the first submission period in the Draft Rule Change Report. For further details please refer either to the Draft Rule Change Report or Appendix 2 of this report.

3.3 Public Forums and Workshops

No public forums or workshops were held in relation to this Rule Change Proposal during the first submission period. A public workshop was held during the second submission period. Details of this workshop are contained in section 6.3 of this report.

3.4 Additional Amendments

Following the first public submissions period the IMO considered some changes to the proposed Amending Rules to clarify that System Management would only need to provide the IMO with Commissioning Test plan information on a daily basis, not every time that the Commissioning Test plan was varied. These changes are as follows (added text, deleted text):

3.21A.16. System Management must provide the IMO the information related to approved Commissioning Tests, as specified under clause 3.21A.4, by 4.30 pm each day.

4. THE IMO'S DRAFT ASSESSMENT

The IMO's assessment, as contained in its Draft Rule Change Report, can be viewed on the IMO's website.

5. THE IMO'S DRAFT DECISION

Based on the matters set out in the Draft Rule Change Report, the IMO's draft decision, in accordance with clause 2.7.7(f), was to accept the proposed amendments to clauses 3.21A.3, 3.21A.7, 3.21A.7A, 3.21A.16 (new), 4.12.6(c), 4.26.1A(a), 7.9.4 and 10.6.1 of the Market Rules as proposed in the Rule Change Proposal and modified following the first submission period.

The IMO made its decision on the basis that the Amending Rules:

⁴ Amended (under RC_2009_11) to 1 October from the 2010 Reserve Capacity Cycle onwards

- Will allow the Market Rules to better address Wholesale Market objectives (b);
- Are consistent with the remaining Wholesale Market Objectives;
- Have been presented to the MAC who were requested to bring any queries on the proposal up in the first submission period; and
- Have the support of the majority of submissions during the first submission period.

5.1 Addendum to the Draft Rule Change Report

Following the publication of the Draft Rule Change Report, System Management alerted the IMO to a gap in the Draft Rule Change Report.

In response, the IMO issued an addendum noting that the Draft Rule Change Report did not specifically cover all issues raised in System Management's submission regarding the transparency of Commissioning Test plans. In particular, System Management suggested that:

"...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".

In order to fully assess all the issues raised by System Management regarding transparency of Commissioning Test plans the IMO requested that participants specifically submit on this aspect during the second consultation period (in addition to System Management's other points regarding transparency).

In the addendum, the IMO acknowledged that, as the information was not contained in the Draft Rule Change Report, the addendum had no formal standing. However, the IMO invited Market Participants to make submissions on the Draft Rule Change Report as previously notified, and if considered appropriate the IMO invited Market Participants to take into account the information contained in the addendum.

6. SECOND SUBMISSION PERIOD

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 27 July 2009 and 4 September 2009.

6.1 Submissions received

The IMO received submissions from Alinta, Griffin Energy, LGP, Perth Energy, System Management, Synergy and Verve Energy. The details of the submissions received during the second submission period are summarised below. The full text of the public submissions is available on the IMO website.

6.1.1 Submission from Alinta

Alinta supports the intent of RC_2009_08, noting that the amended Market Rules would retain a strong financial incentive for Market Participants to complete commissioning of new Facilities ahead of periods of peak system demand. However, to the extent that this cannot be achieved Alinta notes that the amended Market Rules would ensure that efforts by Market Participants to complete commissioning as soon as possible after 1 December⁵ were not unduly impeded.

⁵ Amended (under RC_2009_11) to 1 October from the 2010 Reserve Capacity Cycle onwards.

Alinta supports, in principle, the proposed changes that would result in Commissioning Test plans provided by System Management to the IMO being published. Publication of approved plans would increase market transparency, which is likely to support the efficient operation of the market. Alinta also agrees with the IMO's observation that as commissioning plants impact on Verve as market balancer and on market prices, increased transparency around Commissioning Plans would provide greater certainty and support improved dispatch planning.

Alinta notes that while the Medium Term PASA and the Short Term PASA identify, for each approved Commissioning Test, the Facility to be tested and the dates and times during which the Commissioning Test will be conducted, it will not identify the amount of energy that will be spilled into the market. It is this information that is of most value for both Verve, as market balancer, and to other Market Generators, given the potential impact that energy being spilled into the market from the commissioning generator will have on market prices.

Nevertheless, in order to minimise the risk that the quantity and/or quality of information provided to System Management as part of Commission Test plans is reduced, Alinta considers that the information to be published by the IMO under proposed clause 10.5.1(f) could be limited to the following items specified in Appendix I of the Power System Operation Procedure (PSOP) Commissioning and Testing:

- Planned output levels over test period in MW;
- Planned output levels over test period in MWh for each Trading Interval; and
- Fuel type, where the generating system has dual fuel ability.

Alinta notes that its suggestion to provide only a MW/h profile and fuel usage information should also significantly reduce the cost incurred by System Management in providing the information to the IMO.

The Rule Change Proposal and the Wholesale Market Objectives

Alinta considers that the IMO can be satisfied that the Market Rules, as proposed to be amended or replaced by RC_2009_08, are consistent with Wholesale Market Objectives (a), (b) and (d).

Alinta also submitted that RC_2009_08 may not be inconsistent with Market Objectives (c) and (e) as it is unlikely to affect these objectives.

6.1.2 Submission from Griffin Energy

Griffin Energy notes that it made a submission on the proposal during the first submission period. Griffin Energy submits that further to the clarification offered by the IMO at the workshop addressing the issue raised in Griffin's original submission, Griffin is of the opinion that the intent of the rule change is generally consistent with the Market Rules.

Griffin Energy however notes that the wording of clause 4.26.1A(a)v, as set out in the Draft Rule Change Report, does not represent the desired outcome, as explained at the IMO workshop. Specifically, clause 4.26.1A(a)v suggests that while any portion of an approved Commissioning Test remains outstanding, then the participant will incur Facility Forced Outage Refunds on the full capacity of the facility.

From subsequent discussions with the IMO, Griffin Energy notes that it expects clause 4.26.1A(a)v to be altered to reflect the stated intent of the Rule Change Proposal.

6.1.3 *Submission from Landfill Gas & Power*

LGP continues to support the proposal to extend the commissioning period.

LGP notes that the cost of system upgrades (for System Management) to support increasing transparency would be in the region of \$100,000. LGP support, in principle, the transparency proposal, but notes that it is not positioned to assess the value for money; and so would look to the large generators that would be affected for guidance on this issue. LGP also notes that it would welcome alternative transparency proposals delivering substantially the same outcome at lower cost.

6.1.4 *Submission from Perth Energy*

Perth Energy supports the proposed changes and specifically supports the publication of Commissioning Test plans as proposed.

Perth Energy has reviewed the proposed rule change and agrees with the IMO's statement that the proposed changes are consistent with the market objectives. In particular, Perth Energy considers that:

- The proposed changes will increase the efficiency of the market and will encourage economically sound actions by developers of new generators; and
- The period of four months allowed for undertaking of commissioning trials is appropriate for introducing new plant to the system.

Perth Energy note that is has specifically considered the publication of information about Commissioning Test plans and considers that the added transparency from this outweighs any downside from publication.

6.1.5 *Submission from System Management*

System Management considers that significant concerns exist with the process adopted and analysis performed by the IMO. In particular, System Management notes that the Draft Rule Change Report made several omissions regarding issues submitted by System Management, and the IMO evidently misunderstood other comments which were made.

System Management notes that the Rule Change Proposal, as drafted, will introduce inconsistencies in the Market Rules and, among other matters, will effectively prevent existing facilities from performing Commissioning Tests.

System Management maintains that the Rule Change Proposal requires further analysis, to demonstrate, among other things, that the proposed amendments meet the Market Objectives.

In its first submission System Management stated that it appeared the proposed changes 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. System Management extends these comments to the Draft Rule Change Report.

Interrelation of clauses

System Management's first submission suggested that further investigation was 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).

System Management notes that the IMO's response to this issue in the Draft Rule Change Report was correct in indicating that were the commissioning not complete within four months the facility would be required to have a Resource Plan and be subject to UDAP and DDAP. System Management considers that this situation should be avoided. System Management submits that 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 System Management considers that the IMO failed to consider that this situation may occur at other times. System Management notes that in the proposed rule change, the Reserve Capacity Obligation Quantity (RCOQ) of the facility commences on 1 December⁶. Therefore, on that date, the facility must:

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

System Management notes that the context of Commissioning Test plans must be considered. In particular, Commissioning Test plans must represent good faith by the Market Participant (clause 3.21A.5) and the Market Participant must conform to the Commissioning Test plan approved by System Management (clause 3.21A.12). Finally, the first, or perhaps second, day of the Commissioning Test Plan must have the facility connected to the SWIS. System Management notes that this is because commissioning is only for the purpose of connecting to the SWIS.

System Management submits that if a facility is delayed (i.e. the facility is unable to commence commissioning before 30 November), then the Market Participant must vary the Commissioning Test plan and seek re-approval by System Management.

System Management provides the following example of a delay of 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 System Management notes that the facility cannot have an approved Commissioning Test Plan for this period as:

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

However, System Management notes that the RCOQ exists from 1 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.

⁶ Amended (under RC_2009_11) to 1 October from the 2010 Reserve Capacity Cycle onwards.

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

Commissioning Test Plans for Existing Facilities

System Management submits that the IMO did not respond to the issue of Commissioning Test plans for existing facilities in the Draft Rule Change Report. System Management contends that the proposed drafting of clause 3.21A.7 meant they must not approve a Commissioning Test Plan if sub clauses (a) or (b) or (c) or (d) exist. Therefore, System Management must not approve a Commissioning Test Plan for any facility (new or otherwise) if four months have elapsed since first synchronisation.

System Management notes that both new and existing facilities have cause to submit a Commissioning Test plan. However the operation of proposed new sub-clause (d) would preclude the approval of Commissioning Test plans for an existing facility. This restriction would present an issue for all Market Participants and to the preservation of system security. System Management does not consider that this is consistent with the Market Objectives.

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.

System Management considers that the IMO did not properly apply the Wholesale Market Objectives in assessing its own rule change.

Participant providing information

System Management states that in the draft report, the IMO did not address its suggestion that participants, rather than System Management, be responsible for provision of Commissioning Test Plan information to the IMO.

System Management contends that by not addressing this element the IMO has determined that System Management is the proper party to perform this function without providing any reason for this finding.

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

In addition, System Management notes that 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. System Management considers that the IMO should not proceed to a Final Rule Change Report on this issue.

Quantity and Quality of Information

System Management submits that the IMO has indicated that transparency helps achieve a competitive effective market. However, System Management considers that if Commissioning Test plans become available to all Market Participants it may result in minimisation of the information provided to System Management (in both quality and quantity).

System Management's recent experience with providing approved outage information to all Market 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 Market Participants will provide the minimum information required, and will conceal commercially sensitive information which is relevant and necessary to power system operations.

System Management notes that it relies on the information contained in Commissioning Test plans for real-time planning of power system operations. System Management considers that the potential for reduced information in Commissioning Test plans could have adverse effects on Power System Security.

System Management submits that 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 Wholesale Market Objectives.

Uncertainty of Application

System Management notes that the draft report specified a timeframe for provision of Commissioning Test information to the IMO (proposed clause 3.21A.16). However System Management considers that this clause remains uncertain in its application. The obligation applies to all Commissioning Test plans, including those applying at 4.30pm on each day.

System Management notes that 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. System Management submits 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

System Management notes that 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, System Management suggests that it is difficult to determine the full effect on the balancer.

System Management submits that Commissioning Test Plans should reflect the same level of transparency as Resource Plans (Rule Participant Market Restricted). This is because it

considers that 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 notes that it is unable to see how transparency of Resource Plans for intermittent generators would allow greater certainty and planning for another Market Participant.

System Management notes that it 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). System Management therefore contends that the needs of the balancing party are addressed.

System Management considers that it is difficult to understand the benefits that will be realised through transparency of Commissioning Test plans. System Management reiterates that "greater visibility" is not itself sufficient to underpin such a significant rule change.

The Rule Change Proposal and the Wholesale Market Objectives

System Management considers that 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, System Management notes that the drafting appears to preclude approval of Commissioning Test plans for existing facilities.

Further, System Management considers that in the draft report the IMO does not appear to have followed the process prescribed in the Market Rules. In particular, the Draft Rule Change report 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, System Management notes that 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

Costs associated with the implementation of the proposed changes

System Management notes that the proposed changes will require significant changes to its IT systems and operational processes.

In particular, clause 3.21A.16, as drafted, will require System Management to develop a system to obtain details of Commissioning Test plans from Market Participants, allow approval of those plans, and provide the information to the IMO. System Management envisages 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, System Management considers that the IMO cannot have properly considered clause 2.4.3(b) in making the decision in the Draft Rule Change Report.

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

6.1.6 *Submission from Synergy*

Synergy provides support for the Rule Change Proposal..

Synergy notes that removing UDAP and DDAP requirements until four months after first connection will reduce the financial risk associated with entering the market and potentially increase generation competition.

The Rule Change Proposal and the Wholesale Market Objectives

Synergy agrees that the proposed changes will support market objective (b) by facilitating the efficient entry of new competitors.

6.1.7 *Submission from Verve Energy*

Verve Energy notes that it generally supports the intent of the greater part of RC_2009_08. However it has reservations with respect to the publication of the details contained within Commissioning Test plans.

Verve Energy notes that the IMO specifically asked for comment on the new clause 3.21A.16 which will require System Management to provide approved Commissioning Test plans to the IMO to be published under the new clause 10.6.1(f). Verve Energy fails to understand the value that the market will derive from this given that most Market Participants are not impacted by commissioning activities.

Verve Energy notes that, as the balancer, the publication of Commissioning Test plans would assist it in performing this role through better management of its fuel position. However this does not require a full disclosure of the Commissioning Test plan to the market. Verve Energy suggests that it can be viewed that Commissioning Test plans are the equivalent of the Resource Plan for the facility on commissioning and given that there are strict confidentiality provisions surrounding Resource Plans, this should not be any different for Commissioning Test plans. Verve Energy considers that at the most, visibility of Commissioning Test plans should be limited to only a MW profile.

Verve Energy is concerned that full disclosure of Commissioning Test plans may lead to Market Generators being less forthcoming with detailed information to System Management. This may result in a reduction of the effectiveness of System Management in performing its obligations.

Additionally, Verve Energy notes that the nature of commissioning activities is such that changes will occur. This then raises the question of should there be a republication of the Commissioning Test plan every time there is a change to the plan as it does not impact on any Market Participant except the balancer.

In response to the IMO's addendum, requesting comments on placing the responsibility on Market Generators to provide Commissioning Test plan information rather than System Management, Verve Energy notes that Commissioning Test plans are confidential in nature and System Management should not be the party that provides this plan to the IMO. System Management has strict guidelines that it operates within with respect to the confidentiality of Resource Plans. Verve Energy considers that this should also apply to Commissioning Test plans in order to be consistent with the Market Rules. Verve Energy contends that if Commissioning Test plan information has to be made available, the obligation should be imposed on the Market Generator.

The Rule Change Proposal and the Wholesale Market Objectives

Verve Energy agrees that the greater part of RC_2009_08 will support market objective (b) by facilitating efficient entry of new competitors.

However, Verve Energy considers that the IMO has not sufficiently explained the benefits and how the Market Objectives are met by the full disclosure of Commissioning Test plan provisions.

6.2 The IMO's assessment of Second Submission period responses

During the second submission period the IMO received submissions in favour of the Rule Change Proposal from Alinta, Griffin Energy, LGP, Perth Energy and Verve Energy, albeit with some noted concerns and further suggestions. However, System Management did not support RC_2009_08 as it continues to consider that the Rule Change Proposal, as drafted, will introduce inconsistencies in the Market Rules and, among other matters, will effectively prevent existing facilities from performing Commissioning Tests. System Management also notes concerns with the process adopted by the IMO and the analysis undertaken.

The IMO has responded to each of the issues identified during the second submission period below:

Four Month Window

- Griffin Energy notes that the drafting as presented in the Draft Rule Change Report provides a vague description as to whether a facility is still undergoing a Commissioning Test; and fails to incorporate allowances for a participant to nominate that it is no longer "commissioning" and is subject to the submission of and adherence to a Resource Plan. Griffin Energy notes that based on discussions with the IMO it expects clause 4.26.1A(a)v to be altered to reflect the stated intent of the Rule Change Proposal.

The IMO has amended clause 3.21A.7A to clarify that that for new generating systems the Commissioning Test window relates to a duration approved by System Management which can be up to four continuous months and can occur after 1 October⁷ of the relevant year.

The IMO does not consider further clarification is required which would allow a Market Participant to cancel a Commissioning Test at any time (and therefore essentially nominate that it is no longer commissioning). This is because the Market Rules already provide for this mechanism (clause 3.21A.6). Additionally, under clause 3.21A.11 System Management may revoke its approval of the Commissioning Test if it becomes aware that it is no longer required and notify the Market Participant conducting the test of the cancellation. This will ensure that Market Generators can make commercial decisions around whether to officially finish commissioning once they consider they have reached a certain level of reliability.

The IMO does not consider that clause 4.26.1A.(a)v requires amendment to reflect Griffins comments as this relates to the Facility Forced Outage Refund which will remain as the number of Capacity Credits associated with the Facility if it is undergoing a Commissioning Test. This will no longer apply when a Market Participant makes the decision to no longer be considered commissioning. The IMO does not consider that

⁷ Note that Reserve Capacity Obligations previously applied from 30 November of Year 3. However this date was amended under RC_2009_11 to 1 October of Year 3 for the 2010 Reserve Capacity Cycle onwards.

amending the shortfall to take into account the amount of energy provided in each Trading Interval would be consistent with the intent of this rule change to separate the capacity and energy markets during commissioning. It should be noted however, that when commissioning a facility will receive MCAP for its commissioning energy produced.

The IMO has clarified the drafting of clause 3.21A.7A to clearly state that the four months commissioning for new generating systems, including late commissioning, will be determined from the details provided regarding the Commissioning Test Period (which is proposed to be a defined term) under clause 3.21A.4.

Interrelation of Clauses

- System Management notes a concern with inconsistencies and lack of linkages in section 3.21A of the Market Rules.

The IMO met with System Management to discuss this issue prior to preparing the Final Rule Change Report. As an outcome of that discussion it was agreed that more general changes to section 3.21A are outside the current scope of this Rule Change Proposal but will be considered further System Management in due course.

- System Management notes that the 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 requirement on a commissioning generator may appear to be inconsistent with the intent of the Market Rules.

The IMO agrees that it may be possible for a new generating system to be cleared in the STEM. This is because there is an incentive for a Market Participant to offer into the STEM at a high amount, with the intent of not clearing, in order to meet its Reserve Capacity Obligations. In the case where a Market Participant does get cleared in the STEM it will be required to make Capacity Cost Refunds on any of the energy cleared which it failed to supply. The IMO notes that this is a current issue with the Market Rules and can result when a Market Participant is commissioning under Resource Plan. That is the Market Participant would offer to make capacity available in the STEM and contingent on the outcomes attempt to run the necessary tests.

The IMO considers that reviewing this situation is outside the scope of this Rule Change Proposal and would benefit from greater consideration by System Management when undertaking its intended wider review of 3.21A. The IMO offers to work with System Management to determine a solution to this issue during System Management's wider review.

- System Management notes that commissioning is only for the purpose of connecting to the SWIS.

The IMO notes that System Management's definition of commissioning is much narrower than those provided in both the Market Rules and Technical Rules. In particular, clause 3.21A.1 of the Market Rules defines a Commissioning Test as a test of the ability of a generating system to operate at different levels of output reliably with no reference to connecting. Section 4.2.1 of the Technical Rules outlines that Commissioning of users equipment is required to ensure that new or replacement equipment is inspected and tested to demonstrate that it complied with relevant Australian Standards, relevant international standard, the Technical Rules, the Access Code and any relevant

connection agreement and good electricity practice prior to connecting to a transmission or distribution system. While the IMO acknowledges that connection to the SWIS is at the crux of commissioning activities for new generators there is a potential risk in adopting a too narrow definition of commissioning given the complexities of the commissioning process.

- System Management notes that as drafted the rule change will introduce inconsistencies in the Market Rules and will effectively prevent existing facilities from performing Commissioning Tests. In particular, System Management contends that the proposed drafting of clause 3.21A.7 means they may not approve a Commissioning Test Plan for any facility (new or otherwise) if four months have elapsed since first synchronisation.

It was not the intention to restrict System Management from accepting Commissioning Test plans for existing Facilities. The IMO had redrafted clause 3.21A.7 accordingly, to ensure that Commissioning Test plans for existing Facilities can be approved by System Management.

- System Management considers that 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.

The IMO reiterates that it was not the intention of the proposed rule change to preclude commissioning for existing facilities. The introduction of the concept of late commissioning was intended to be applicable only to new generators entering the market after 1 October⁸. Existing facilities returning from significant maintenance will still be able to commission under the previous requirements under section 3.21A of the Market Rules.

The IMO has undertaken a further assessment of the proposed changes against the Market Objectives. The outcomes are provided in section 7.1 of this report.

Transparency of Commissioning Test Plans

Value of information

- Verve Energy does not understand the value that the market will derive from greater transparency, given that most Market Participants are not impacted by commissioning activities.

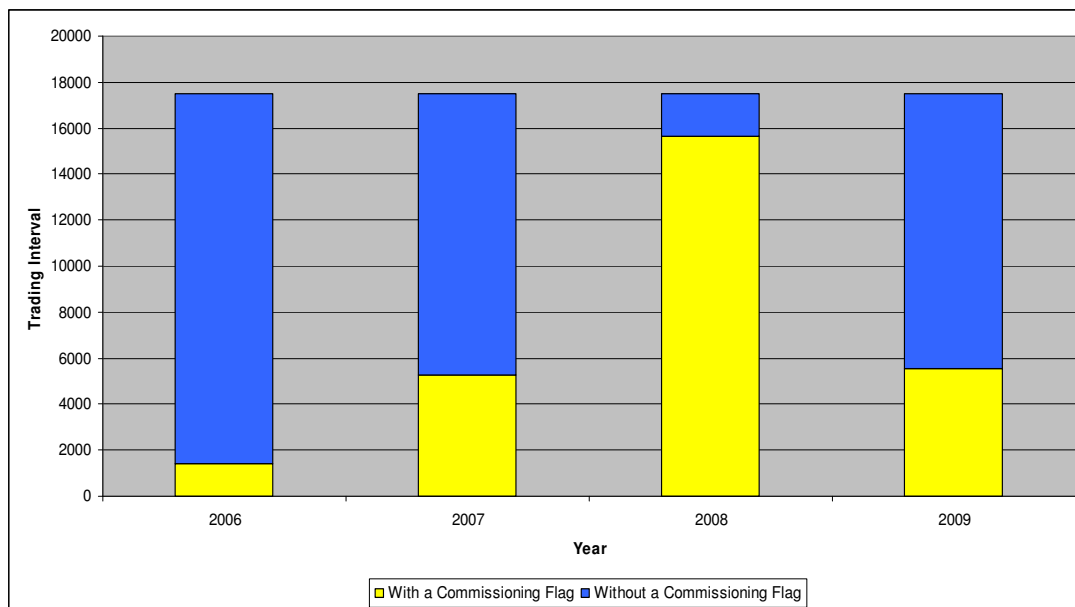
Workshop attendees indicated that there was value in information on Commissioning Test plans being provided transparently to the market. The question of the value of this information to the market when compared to the cost of supplying this information has been raised by both Synergy, at the public workshop and LGP in its second submission. As a result the IMO has undertaken a comprehensive cost-benefit analysis of the transparency of information, the outcomes of which are provided in section 6.4 of this report.

This information will allow Market Participants to make an informed economic decision regarding STEM submissions. In particular, greater transparency of commissioning units will mean that Market Generators can make an informed decision regarding whether

⁸ Note that Reserve Capacity Obligations previously applied from 30 November of Year 3. However this date was amended under RC_2009_11 to 1 October of Year 3 for the 2010 Reserve Capacity Cycle onwards.

they want to bid into the STEM. While the IMO acknowledges that day-ahead information on commissioning units (in particular MWh profiles) are likely to be subject to change during real time operations, Market Participants are likely to benefit from the knowledge of whether the commissioning unit is expected to be operating in the market or not during any particular Trading Interval. This is important given the number of Commissioning Tests (for both existing and new Market Generators) which have been undertaken in the past (see Figure 1 below). For example in 2008, the market was subject to the uncertainty associated with commissioning activities for approximately 90% of all Trading Intervals during the year. Given the large number of Trading Intervals where a commissioning flag⁹ has been provided to one or more Market Generators and the anticipation of more generators coming on to the system in the next few years an indication as to potential supply conditions will become increasingly important.

Figure 1: Total annual number of Trading Intervals with and without a Commissioning Test flag provided for a Facility



Additionally, commissioning is likely to have an impact on the value of MCAP. In particular, as a commissioning unit does not need a Resource Plan this will impact on the balancer's operational load. For example if the balancer is required to supply less electricity because a commissioning unit is operating then this will have a downward impact on the MCAP price. Greater transparency of Commissioning Test information will result in a more information being available to Market Participants about the quantity of energy potentially being made available to the market. This information could be used by Market Participants to evaluate any potential impacts to prices. Consequently, the IMO considers that greater transparency of Commissioning Test plans may remove some of the uncertainty surrounding MCAP prices.

- Verve Energy queries the need for re-publication of the Commissioning Test plan every time there is a change to the plan.

⁹ Note that a commissioning flag is an indication provided to the IMO from System Management that a facility is undertaking an approved Commissioning Test during the Trading Interval.

The IMO clarified the Amending Rules contained in the Draft Rule Change Report that re-publication of the Commissioning Test plan would not be required every time a change occurred. The IMO acknowledges that during Commissioning it is likely that multiple changes may occur during a test (as allowed for under clause 3.21A.12 and 3.21A.13) and that this would be a burdensome requirement. The IMO also notes that as other Market Participants are required to submit its bids into the STEM a day before, real time information would be of little value to anyone other than Verve Energy.

- System Management contends that, as Verve Energy did not make a submission in the first submission period, it is difficult to determine the full effect on the balancer of increased day-ahead transparency regarding Commissioning Test plans. System Management provides a daily Dispatch Plan for the balancer, which includes details of tests that are required due to Commissioning (such as a load rejection tests). System Management therefore contends that the needs of the balancing party are addressed.

Verve Energy provided a submission during the second submission period querying the need to publish Commissioning Test plan information, a response to this is outlined above. While the IMO does not dispute that the current needs of the balancer are met by System Management's daily provision of a Dispatch Plan, the IMO considers that there are benefits to all Market Participants in providing day ahead Commissioning Test plan information. This view was supported by a number of submissions received during the second submission period and by Market Participants during the public workshop.

- Alinta considers that the information to be published by the IMO could be limited to a profile of the planned output level for each Trading Interval over the test period, and (in the case of dual fuel generators) the fuel to be used. Verve Energy notes that, as the balancer, the publication of Commissioning Test plans would assist it in performing this role through better management of its fuel position. However, this does not require a full disclosure of the Commissioning Test plan to the market. Verve Energy considers that, at the most, visibility of Commissioning Test plans should be limited to an output profile.

It is likely that energy spilled into the electricity market will affect MCAP, and usage of fuel (particularly gas) will affect the availability of fuel supplies. The IMO therefore considers that Commissioning Tests do affect other generators, and that Commissioning Test plans are of value to Market Participants other than the balancer. Therefore, for the purposes of clause 3.21A.16, a Commissioning Test plan should be taken to consist of all available information provided to System Management in the proforma document attached to the PSOP: Commissioning and Testing.

Confidentiality of information

- Verve Energy notes that Commissioning Test plans are confidential in nature and System Management should not be the party that provides this plan to the IMO as it has strict confidentiality guidelines it operates within with respect to Resource Plans. Verve Energy considers that this should also apply to Commissioning Test plans in order to be consistent with the Market Rules. System Management also submitted that Commissioning Test plans should have the same transparency as Resource Plans.

Submissions from other Market Generators did not identify confidentiality of test plans as a major issue and that Verve Energy currently has transparency of commissioning activities through its role in the market as balancer. Given the balancer's unique position in the market there are reduced benefits to Verve Energy associated with making this information more widely available than to other Market Generators.

Currently information pertaining to section 3.21A of the Market Rules is Rule Participant Dispatch Restricted, it does not consider that strict confidentiality guidelines should be maintained due to the value of this information to the market, as outlined above. Additionally, when setting the confidentiality status for information the IMO must have regard to the principles set out in clause 10.2.3 of the Market Rules. In particular these clauses note that subject to commercially sensitive information not being revealed:

- Rule Participants are to have access to information pertaining to current and expected conditions that may impact on its ability to trade, deliver, or consume energy (10.2.3 (b)); and
- the confidentiality status must maximise the number of parties that may view the information or documents (clause 10.2.3 (g)).

The IMO considers that information contained in Commissioning Test plans contains information about expected conditions that may impact on a participant's decision to trade. Additionally, the proposed amendments to the Market Rules seek to maximise the number of Market Participants that may view the consolidated Commissioning information from just the balancer (in the Dispatch Plans).

Commercially sensitive information includes:

- (a) financial, commercial, technical or other information where disclosure could reasonably be expected to result in a material financial loss or gain to the entity the information relates to, or could prejudice the competitive position of that entity; or
- (b) information where disclosure could prejudice the conduct or outcome of contractual or other negotiations of the entity the information relates to.

The IMO considers that there is nothing in clause 3.21A.4 or the pro forma document that Market Participants are required to use in accordance with the Commissioning and Testing PSOP that is commercially sensitive. This is demonstrated in the table over the page.

Where	What	Why information not commercially sensitive
Clause 3.21A.4 (a)	Name and location of facility to be tested	<ul style="list-style-type: none"> • Knowledge of this would not lead to material financial loss or gain; • Knowledge of this would not prejudice the conduct or outcome of contractual or other negotiations; • Rule Participants are currently aware of any new facilities coming onto the SWIS for each Capacity Year and therefore are going to be undergoing commissioning at some point; and • Schedules of Planned Outages are classed as SWIS Restricted Information; therefore Rule Participants could determine facilities undergoing significant maintenance requiring Commissioning Tests from this information.
Clause 3.21A.4 (b)	Commissioning Test Period	<ul style="list-style-type: none"> • Knowledge of this would not lead to material financial loss or gain; • Knowledge of this would not prejudice the conduct or outcome of contractual or other negotiations.
Clause 3.21A.4 (c)	Details of tests to be conducted including an indicative test plan.	<ul style="list-style-type: none"> • Knowledge of this would not lead to material financial loss or gain; • Knowledge of this would not prejudice the conduct or outcome of contractual or other negotiations; and • Detailed information on what tests need to be conducted are contained in the Technical Rules and while some tests may differ slightly for some types of plant, the tests to be conducted are largely the same for most plant.
Commissioning Test pro forma	Generator details: Market Participant, Facility Designation, Contact Details and Fuel Types	<ul style="list-style-type: none"> • Knowledge of this would not lead to material financial loss or gain; • Knowledge of this would not prejudice the conduct or outcome of contractual or other negotiations; and • This information is readily available from other media, i.e. Market Participant websites.
Commissioning Test pro forma	Test details: Test period, purpose of test(s), system under test, test description and contingency plans	<ul style="list-style-type: none"> • Knowledge of this would not lead to material financial loss or gain; and • Knowledge of this would not prejudice the conduct or outcome of contractual or other negotiations. • Detailed information on what tests need to be conducted are contained in the Technical Rules and while some tests may differ slightly for some types of plant, the tests to be conducted are largely the same for most plant.
Commissioning Test pro forma	Timelines: Day, net output, fuel mix, trip risk, specific tests	<ul style="list-style-type: none"> • Knowledge of this would not lead to material financial loss or gain; • Knowledge of this would not prejudice the conduct or outcome of contractual or other negotiations; • Rule Participants can currently estimate the trip risk for a commissioning plant based on its progress through the Commissioning Test process; and • Rule Participants are currently aware of the types of new facilities coming onto the SWIS and the associated fuel sources, and therefore are going to be undertaking commissioning using each of the fuel sources applicable.

Quality of information

- Verve Energy was concerned that full disclosure of Commissioning Test plans may lead to Market Generators' being less forthcoming with detailed information to System Management. This may result in a reduction of the effectiveness of System Management in performing its obligations. System Management raises similar concerns in its submission which have been reiterated to the IMO in subsequent discussions.

This was not supported by other Market Participants at the public workshop or in the submissions received during the second submission period. The IMO notes that currently the PSOP: Commissioning and Testing provides a proforma document which must be provided to System Management by Market Participants. The IMO notes that the scope of the proforma document covers the requirements of clause 3.21A.4 of the Market Rules. This document includes details of the net output for each Trading Interval, fuel mix, trip risk and any specific tests as required under the Technical Rules and any others nominated by the generator. Under clause 3.21A.7 System Management may reject a request to undertake a Commissioning Test if inadequate information is provided in the request. The IMO considers that this provides System Management with the ability ensure that adequate and appropriate detailed information is provided and therefore should have no impact on the effectiveness of System Management in performing its obligations.

- System Management states that 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 its intended commissioning program.

The IMO does not agree with System Management that there is no mechanism to ensure that participants provide accurate information as System Management is expressly required under clause 3.21A.7 to not approve a request for a Commissioning Test plan if inadequate information is provided. Further the IMO notes that System Management is required under clause 2.13.9 to ensure that Market Participants conform to the test plan approved by System Management (clause 3.21A.12). Additionally, System Management must satisfy itself that the information is adequate.

Participant providing information

- System Management states that IMO's draft report failed to address its suggestion that participants, rather than System Management, be responsible for provision of Commissioning Test plan information to the IMO (new clause 3.21A.16).

The IMO notes that System Management correctly identified that it did not address System Management's suggestion that participants should be responsible for the provision of Commissioning Test plan information to the IMO. The IMO agrees that this should have been addressed in the Draft Rule Change Report.

Following the publication of the Draft Rule Change Report the IMO issued an addendum on 25 August 2009 seeking Market Participants to specifically submit on this issue during the second submission period. The IMO also notes that this issue was discussed at the workshop held on 24 August 2009. The IMO notes that in its second submission Perth Energy supported the publication of commissioning plans as proposed – that is as provided by System Management to the IMO for publication.

- System Management considers that at the public workshop participants were not canvassed as to their preference and so remains unconvinced that it is the correct party to provide such information to the IMO. Verve Energy considers that if Commissioning Test plan information has to be made available, the obligation should be imposed on the Market Generator.

System Management is responsible for approving Commissioning Test plans and for ensuring that adequate information has been provided. The IMO therefore considers that System Management is the party best accommodated to provide such information to the IMO for publication. The IMO notes that System Management must inform a Market Participant as to whether its proposed Commissioning Test plan has been approved (clause 3.21A.9). If the onus were on the generator to inform the IMO of its test plan, it would have to wait for System Management's approval in any case before it could submit the exact same information to the IMO. The IMO considers that this would be inefficient.

The IMO also notes that System Management has systems already set up to do similar transactions. The IMO considers that to require Market Participants to provide this information to the IMO would require not only a double handling of information but would be likely to be more costly to the market overall. The IMO considers that the simplest process would be to have System Management automate the sending of its test plan approvals along with the details of the approved test to the IMO.

Further, the IMO notes that System Management has recently moved towards using a pro-forma document for the provision of Commissioning Test Information which should minimise the amount of unsuitable information provided to System Management going forward. This had previously been identified by System Management as being an issue in the provision of full information on Commissioning Tests to the IMO. The pro-forma document is available on the following webpage:

http://www.westernpower.com.au/mainContent/workingWithPower/systemManagement/Commissioning_Testing.html

Uncertainty of Application

- System Management considers that 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. System Management considers that this obligation needs to be more carefully established, if it proceeds. To avoid doubt it must be made clear in the Amending Rules that this obligation applies only to future Commissioning Test plans and not to Commissioning Test plans applicable during that day.

The IMO accepts this view that Commissioning Test plans should be forward looking. The IMO notes that Market Participants will not gain any further benefits from getting updated details of Commissioning Test plans during the day as they would have already had to make its STEM Submission the day before. To ensure that the Amending Rules clearly outline the publication of any information on Commissioning Test plans will be forward looking and provided to the IMO by 4.30 each day, the IMO has re-drafted the proposed Amending Rules accordingly.

Market Objectives

- System Management notes that the IMO has stated that clause 3.21A.16 is consistent with the Market Objectives without providing any reasons for this assessment. System Management considers that it is difficult to understand the benefits that will be realised through transparency of Commissioning Test plans, and that the draft report does not adequately address this. System Management reiterates that “greater visibility” is not itself sufficient to underpin such a significant rule change.

At the workshop, the Economic Regulation Authority (ERA) contended that efficient markets operate on information. That is, greater transparency of information will ultimately increase competition and result in better market outcomes. The IMO agrees with this view and is supported by the information economics literature which notes that the starting point for economic analysis is the observation that information has economic value because it allows individuals to make choices that yield higher expected payoffs or expected utility than they would obtain from choices made in the absence of information¹⁰.

The IMO considers that increased transparency of Commissioning Tests will improve the market objectives by:

- ensuring that all participants who enter and operate within the market are able to have a good understanding of how the market operates. This then helps mitigate any risks (perceived or real) or uncertainty to the Market Participant. The ability to make informed decisions due to market transparency helps remove barriers to entry of new participants;
- making compliance monitoring within the market easier and therefore mitigating any risks to participants due to market power abuses, leading to better governance and better market stability;
- removal of information asymmetries by ensuring important market information is equally available to all Market Participants. Creating a level playing field for all Market Participants will help ensure that no one can gain an unfair advantage in the market over other participants due to its exclusive knowledge of Commissioning Test plans; and
- improvements in market liquidity by encouraging more parties to actively participate in the market.

The IMO also considers that publication of Commissioning Test plans will further market objective (a) by allowing Market Participants to make economically efficient decisions based on anticipated MCAP prices.

¹⁰ Information economics is a branch of microeconomic theory that studies how information affects an economy and economic decisions.

Rule Change Process

- System Management contends that the IMO failed to respond to, or even mention, the issue of Commissioning Test plans for existing facilities in the draft report.

In response to System Management's concerns the IMO has re-drafted clause 3.21A.7 and 3.21A.7A to ensure that this uncertainty is mitigated.

- System Management considers that it would be unsafe for the IMO to proceed to a Final Rule Change Report on this issue as it failed to consider and respond to all issues raised in the first submission period.

The IMO acknowledges that its draft report failed to respond to some of the issues raised by System Management in its first submission. However, except as noted below, these issues were discussed in a public workshop, and the addendum issued by the IMO indicated that they were being given due consideration.

In particular, the IMO did not respond in its Draft Rule Change Report to System Management's concerns over the treatment of existing facilities under the proposed Amending Rules. Subsequently the IMO has amended the drafting of the Amending Rules to ensure that existing Commissioning Facilities may undertake Commissioning Tests after undergoing significant maintenance. However the IMO does not consider that the clarifications made in this Final Rule Change Report are of substance and therefore do not require further public consultation.

- Uncertainty was expressed in the submissions about the value of full transparency of information. In particular:
 - LGP notes that it is not in a position to assess value for money and would welcome alternative transparency proposals delivering similar outcomes at lower cost;
 - Alinta supports the principle of transparency of Commissioning Test plan information but considers that publication should be limited;
 - Perth Energy considers that added transparency outweighs any downside from publication; and
 - Verve Energy has reservations regarding publication and fails to understand the value that the market will derive from transparency of information given most Market Participants are not impacted by commissioning activities.

Further, the IMO notes that during the public workshop (summarised in section 6.3 of this report):

- The ERA commented that the costs and benefits of transparency of information should be assessed and that discretion should be applied to ensure that the reliability of the system is not jeopardised for the benefit of greater transparency for Market Generators;
- Synergy noted that it would expect real time updates of information from System Management for \$100,000; and

- Alinta noted that while it supports the proposal for increased transparency it is hard to determine the value of the information on Commissioning Tests.

The IMO considers that the uncertainty expressed in submissions and during the public workshop regarding the level of information published and value of this information warrants a detailed cost-benefit analysis is undertaken to assess the different levels of transparency that may achieve a similar outcome and the associated cost. An overview of the outcomes of this analysis is provided in section 6.4 of this report.

- System Management contends that there has been insufficient analysis performed to demonstrate that the proposed amendments meet the Market Objectives.

The IMO notes that it undertook a cost-benefit analysis of the proposed changes to introduce the concept of late commissioning, and that the outcomes were presented to the MAC at the February 2009 meeting.

The IMO notes that it has undertaken a further cost-benefit analysis of the introducing greater transparency of Commissioning Tests as presented in section 6.4 of this report.

The IMO's assessment of the proposed changes, as amended in section 6.5, against the Market Objectives is provided in section 7.1.

- System Management considers that the IMO cannot have properly considered the system costs of the proposed changes in making the decision in the Draft Rule Change Report as it did not include modifications as a result of proposed clause 3.21A.16.

In making its draft decision on the Rule Change Proposal, the IMO had taken into account the costs to both the Wholesale Electricity Market System and Settlement Systems operated by the IMO. These were estimated at \$17,000 at the time and based on the version of the Amending Rules presented in the draft report.

At the time of making the draft decision the IMO did not have an estimate from System Management of its IT system costs. This information was, however, available in time for the public workshop. During the workshop, Market Participants did not express any significant concerns with the costs provided by System Management as being unreasonable. It was however noted that a certain level of service would be expected for this cost.

The IMO has received an estimate of the costs to both the IMO and System Management's IT systems for three different scenarios for the provision of information to the IMO for publication. The IMO also received an estimate of the costs to its IT systems for if Market Participants were to provide Commissioning Test plans to the IMO once approved by System Management for each of the three scenarios to the IMO (presented as IMO alternative in the table below)¹¹. The costs to Market Generators of providing the information for each of the scenarios has however not been estimated as these costs will vary for each Market Generator. The IMO notes that Market Generators are currently required to provide this information to System Management under the existing process.

An overview of the scenarios and the anticipated IT costs to the two organisations are presented in the table over the page.

¹¹ Note the IMO's comments regarding the provision of information presented in section 6.2 of this report.

	Scenario Overview	IMO	IMO alternative	System Management	Total Cost¹²
Scenario 1	Provision of all information required under clause 3.21A.4 (as duplicated in System Management's proforma document):	\$57,600	\$67,200	\$125,000	\$182,600
Scenario 2	Provision of a MW/h profile:	\$37,200	\$44,400	\$100,000	\$137,200
Scenario 3	Provision of a MW/h profile and a statement of the fuel usage	\$37,200	\$44,400	\$100,000	\$137,200

6.3 Public Workshop

In response to points raised in System Management's and Griffin Energy's submissions received during the first submission period, the IMO extended the timeframe for the second submission period. During the extension, the IMO held a workshop on 24 August 2009. This allowed for the following to be discussed:

- System Management's suggestion to canvas the views of Market Participants on the publication of all Commissioning Test plans; and
- Griffin Energy's queries over whether the post 30 November Commissioning Tests referred to a specific event within the commissioning process (i.e. a sculpted event) or whether it referred to the complete Commissioning Test Plan agreed with System Management (i.e. a block event).

The workshop was attended by a range of Market Participants:

- Alinta;
- Economic Regulation Authority;
- Griffin Energy;
- IMO;
- LGP;
- Perth Energy;
- Synergy;
- System Management;
- Verve Energy;
- ERM Power;
- Premier Power; and
- Aviva Corporation;

¹² Based on the estimated costs of System Management providing the IMO approved Commissioning Test plan details

The workshop demonstrated a high level of engagement from industry and in particular provided a forum for:

- the IMO to present RC_2009_08;
- discussion of the two issues raised by System Management and Griffin Energy; and
- Market Participants views to be heard and queries to be addressed.

As an outcome of these discussions the following was agreed to clarify the drafting of the Amending Rules to allow for a Market Generator who is commissioning and can reliably provide capacity, to elect to submit a Resource Plan after 30 November.

With regards to System Management's concerns over greater transparency of Commissioning Plans in the market the following points were noted during the discussion of the issues identified by System Management:

- Alinta stated that it was in favour of transparency and consider that the proposed changes would likely increase the efficiency of generator's operations. In particular, Alinta stated that the information provided will be commercially valuable; however there are difficulties in determining its value;
- Verve Energy noted that the Commissioning Plans and load profiles provided by commissioning Market Generators might be used to game the market. In particular Verve Energy expressed concern that participants may bid further away from its true SRMC and that is not enforceable;
- Griffin Energy commented that there are not many avenues to game this market due to its size;
- System Management noted that that the additional scrutiny of the Commissioning Test data will likely result in a reduction in the quality of information being provided to System Management as Market Generators would be aware that this would be published and therefore not wish to make commercially sensitive information public;
- Verve Energy commented that it currently has no visibility on the Commissioning Test plans and as the balancer greater transparency would make its role much easier; and
- The ERA stated that efficient markets operate on information. Greater transparency of information will ultimately increase competition and result in better market driven outcomes. The ERA noted that it could not understand how a lack of transparency is better than more transparency when it comes to the efficient operation of the market.

A copy of the full workshop minutes, which further outlines the issues identified by System Management, is available on the IMO website.

6.4 Cost Benefit Analysis: Transparency of Commissioning Test information

Given the number of queries raised in submissions and at the public workshop regarding the value of transparency of Commissioning Test information the IMO has undertaken a cost-benefit analysis of this aspect of the Rule Change Proposal. A summary of the outcomes from this assessment is provided below along with the IMO's conclusions. Further details of the IMO's analysis are presented in Appendix 3 of this report.

Approach to Cost-Benefit Assessment

The IMO is responsible for making judgements on the impacts of proposed rule changes. Given the nature of the information available in this case the IMO has concluded that it would not be feasible to undertake a quantitative assessment of the costs relative to the benefits. There would be many subjective judgements involved and some of the benefits, in particular, would be difficult to quantify. The costs and benefits have therefore been assessed largely on a qualitative basis, relative to the current situation.

Given the range of views expressed regarding the transparency of information and in particular the level of information provided the IMO has undertaken an assessment of the following scenarios relative to the current situation:

- Scenario 1 – Provision of all information required under clause 3.21A.4 (as duplicated in System Management’s pro forma document) to the IMO for publication, which would include a MW/h profile (indicative test program);
- Scenario 2 – Provision of a MW/h profile to the IMO for publication; and
- Scenario 3 – Provision of a MW/h profile and a statement of the fuel to be used to the IMO for publication.

The following table identifies the main issues the IMO has used in its evaluation.

Costs: resources expended (financial and non financial) or negative outcomes		
Competitive position costs (ongoing)		The costs to Market Generator’s competitive positions associated with reduced confidentiality of Commissioning Test information.
Quality costs (ongoing)		The costs associated with the perceived reduction in the quality of Commissioning Test information.
Set-up and transition costs (one-off)		The costs to change the IMO’s and System Management’s operating systems and transition from the current arrangements.
Governance costs (one-off)		The costs to the WEM of amending the Market Rules and overseeing the implementation of any necessary changes.
Operating costs (ongoing)		The ongoing costs to System Management and the IMO associated with ongoing transfer and publication of information.
Benefits: positive outcomes or negative outcomes avoided		
Financial/Market Benefits (ongoing)		The benefits to the WEM associated with greater transparency of Commissioning Test plans, including the benefits to Market Participants associated with potential increased liquidity in the STEM.
Balancer Benefits (ongoing)		The benefits to the balancer from increased transparency of Commissioning Test plans.
Reduction in perceived bias Benefits (ongoing)		The benefits to monitoring compliance of Market Participants associated with a reduction in perceived bias.
Efficiency Benefits (ongoing)		The benefits to allocative efficiency associated with availability of information.

Benefits: positive outcomes or negative outcomes avoided

Investment Benefits The benefits to Market Generators associated with reduced investment risks, such as:

- Reduction of information asymmetries; and
- Equitable treatment.

The costs assessed are generally tangible costs that can be quantified in monetary terms with some confidence, as was presented in the IMO's initial analysis. The benefits, on the other hand, are generally less tangible and difficult to assign a monetary value.

Therefore the IMO developed an impact assessment framework to facilitate the development of an overall assessment of the costs and benefits relative to the current situation. The impact assessment framework uses the following ranges:

Impact	Impact Description
None	No material difference relative to the current situation
Minor	A small difference relative to the current situation
Material	A reasonably material difference relative to the current situation
Major	A reasonably large difference relative to the current situation
Significant	A very large difference relative to the current situation

A summary of the of the IMO's assessment is provided in the following table, the full cost benefit analysis is contained in Appendix 3 of this report:

Cost/Benefit	Impact		
	Scenario 1	Scenario 2	Scenario 3
Competitive Position Costs	Minor	Minor	Minor
Quality costs	Minor	Minor	Minor
Set-up and Transition Costs	Major	Major	Major
Governance Costs	None	None	None
Operating Costs	None	None	None
Total Costs	Overall: Minor	Overall: Minor	Overall: Minor
Balancer Benefits	None	None	None
Reduction in perceived bias Benefits	Material	Material	Material
Efficiency Benefits	Major	Major	Major
Financial Benefits			
Liquidity of the STEM	Minor	Minor	Minor

Cost/Benefit	Impact		
Fuel Usage	Material	None	Material
Investment Benefits			
Equitable treatment	Material	Material	Material
Reduction in Information Asymmetries	Major	Material	Material
Total Benefits	Overall: Material	Overall: Material	Overall: Material

On the whole the analysis of the costs and benefits suggests that the proposed rule change is likely to have an overall material benefit for a minor total cost overall relative to the current situation over the long term.

The IMO notes that the benefits associated with full transparency of information under scenario 1 is likely to have a larger material benefit than under scenarios 2 and 3 due to the financial benefits associated with information on fuel usage and a greater reduction in information asymmetries. When assessing proposals of this nature it is easier to quantify the costs associated with the Rule Change Proposal than the benefits associated with greater transparency of Commissioning Test Plans.

The benefits resulting from the Rule Change Proposal are anticipated to outweigh the increase in costs that would be expected relative to the current situation (over the long term) and are supportive of the IMO's proposal to increase the transparency of Commissioning Test information.

6.5 Additional Amendments to the Amending Rules

Following the second consultation period and the public workshop the IMO has made some changes to the proposed Amending Rules to improve the overall integrity and address the issues noted in section 6.3 of this Final Rule Change Report. The IMO has consulted with System Management on these additional amendments.

The amendments to improve the integrity of the Market Rules include:

- referring to commissioning “tests” rather than “trials”; and
- updating “Scheduled Generator” to “generating system”.

For ease of reference a description of the intent of the proposed changes is provided in boxes below each of the proposed Amending Rules. Please note that the information provided in the boxes does not constitute part of the proposed Amending Rules but rather acts as explanatory information.

The proposed changes are as follows (~~deleted text~~, added text):

3.21A.2. A Market Participant seeking to conduct a Commissioning Test for a ~~Scheduled Generator~~ generating system that has undergone significant maintenance, or for a candidate facility to be registered as a Scheduled Generator new generating system that has yet to commence operation, must request permission for such ~~trials-tests~~ from System Management in accordance with clause 3.21A.4.

The proposed amendment to clause 3.21A.2 will clarify that Market Participants wishing to undertake Commissioning Tests must request permission from System Management if they are:

- an existing generating system who has undertaken significant maintenance; or
- a new generating system who has yet to commence operation.

The proposed amendment will also:

- allow Non-Scheduled Generators to request a Commissioning Test, as currently only Scheduled Generators or candidate facilities to be registered as a Scheduled Generator may request a Commissioning Test under clause 3.21A.2. This is consistent with clause 6.5.1C which allows for a Market Generator with only Intermittent Generators to provide the IMO with a Resource Plan Submission, unless undergoing a Commissioning Test.
- replace the reference to a “candidate facility to be registered as a Scheduled Generator” with a “new Market Generator which has yet to commence operation”.

Note: System Management will determine an existing generating system as having previously registered either a Scheduled Generator or a Non-Scheduled Generator. Further, the definition of “significant maintenance” is provided in the Power System Operation Procedure: Commissioning and Testing.

3.21A.3 System Management may approve a Commissioning Test only for a new generating systems that is yet to commence operation, or for an existing Scheduled Generators generating system which have that has undergone significant maintenance.

The proposed amendment to clause 3.21A.3 reflects the clarifications regarding new generating systems and generating systems returning from significant maintenance as proposed under clause 3.21A.2.

3.21A.4. A Market Participant requesting permission for Commissioning Tests must submit to System Management the following information at least 20 Business Days in advance of the start date of the proposed ~~trial tests~~:

- (a) the name and location of the facility to be tested;
- (b) ~~the date and commencement time of all Trading Intervals during which testing will be conducted~~ details of the proposed Commissioning Test Period, including start and end dates for the proposed tests; and
- (c) details of the tests to be conducted, including an indicative test program, fuel mix and trip risk of the facility to be tested.

The proposed amendment to clause 3.21A.4 will introduce the concept of a Commissioning Test Period which will also be defined in the Glossary of the Market Rules.

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

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

- (b) in its opinion the conduct of the test at the proposed time would pose a threat to Power System Security or Power System Reliability; or
- (c) ~~[Blank]~~ in the case of a new generating system that is yet to commence operation, the proposed Commissioning Test Period would be greater than four months.
- ~~(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).~~

The proposed amendment to clause 3.21A.7 will clarify that it will be System Management's opinion that there is either inadequate information of that the proposed time would pose a threat to Power System Security or Power System Reliability. The proposed amendment will also allow all new generating systems a four month commissioning period, as defined in the Commissioning Test period information provided under clause 3.21A.4 to System Management.

3.21A.16. By 4.30pm each day System Management must provide the IMO with the information ~~related to~~ submitted under clause 3.21A.4 and relating to the next Scheduling Day for Commissioning Tests approved Commissioning Tests, as specified under clause 3.21A.4, by 4.30 pm each day under clause 3.21A.9.

The proposed new clause 3.21A.16 will require System Management to provide information on approved Commissioning Tests to the IMO for publication.

4.1.26. Reserve Capacity Obligations apply:

- (a) in the case of the first Reserve Capacity Cycle:
 - i. from the Initial Time, for Facilities that were commissioned before Energy Market Commencement;
 - ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), for Scheduled Generators and Non-Scheduled Generators commissioned between Energy Market Commencement and 30 November 2007, inclusive; and
 - iii. from the Trading Day commencing on 1 October 2007 for Interruptible Loads, Curtailable Loads or Dispatchable Loads commissioned after Energy Market Commencement; and
- (b) for subsequent Reserve Capacity Cycles up to and including 2009:
 - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles; and

- ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11D, for Facilities commissioned between 1 August of Year 3 and 30 November of Year 3; and
- (c) for subsequent Reserve Capacity Cycles from 2010 onwards:
 - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles; and
 - ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11D, for Facilities commissioned between 1 June of Year 3 and 1 October of Year 3; and
 - iii. from the Trading Day commencing on 1 October of Year 3, for new generating systems undertaking Commissioning Tests after 1 October of Year 3.

The proposed amendments to clause 4.1.26 will introduce the concept of late commissioning after 1 October in Year 3 of the Reserve Capacity Cycle for the 2010 Reserve Capacity Cycle onwards. Note that following the commencement of the Amending Rules resulting from RC_2009_11: Changing the Window of Entry into the Reserve Capacity Market (1 December 2009) Reserve Capacity Obligations apply from 1 October (from the 2010 Reserve Capacity Cycle onwards), this was previously 30 November.

- 4.12.6. Subject to clause 4.12.7, any initial Reserve Capacity Obligation Quantity set in accordance with clauses 4.12.4, 4.12.5, or 4.28B.4 is to be reduced once the Reserve Capacity Obligations take effect, as follows:
- (a) if the aggregate MW equivalent to the quantity of Capacity Credits (as modified from time to time under the Market Rules) for a Facility is less than the Certified Reserve Capacity for that Facility at any time (for example as a result of the application of clause 4.20.1, clause 4.25.4 or clause 4.25.6), then the IMO must reduce the Reserve Capacity Obligation Quantity to reflect the amount by which the aggregate Capacity Credits fall short of the Certified Reserve Capacity;
 - (b) subject to clause 4.27.9, during Trading Intervals where there is a Consequential Outage or a Planned Outage for a Facility provided to the IMO by System Management in accordance with clause 7.3.4, the IMO must reduce the Reserve Capacity Obligation Quantity for that Facility, after taking

into account any adjustments in accordance with paragraph (a), to reflect the amount of capacity unavailable due to that outage;

- (c) if the ~~Scheduled Generator~~ generating system, which for the purposes of permission sought under clause 3.21A.32 has undergone significant maintenance, is subject to a Commissioning Test during a Trading Interval, then the IMO must reduce the Reserve Capacity Obligation Quantity for that Facility ~~must be to~~ zero during that Trading Interval.

The proposed amendment to clause 4.12.6 to limit the Commissioning Tests required under this specific clause will only apply to existing generating systems which have undergone significant maintenance. This is because the new generating system entering the market early has no Reserve Capacity Obligation and hence can be granted a Commissioning Test without it impacting on its Reserve Capacity Obligations. Note that a new generating system entering the market late will have Reserve Capacity Obligations applying from 1 October which will not be reduced; this is consistent with the concept of separating the treatment of commissioning plants in the Reserve Capacity Mechanism and energy market.

4.26.1A. The IMO must calculate the Forced Outage refund for each Facility ("**Facility Forced Outage Refund**") as the lesser of:

- (a) the sum over all Trading Intervals t in Trading Month m of the product of:
- i the Off-Peak Trading Interval Rate or Peak Trading Interval Rate determined in accordance with the Refund Table applicable to Trading Interval t ; and
 - ii the Forced Outage Shortfall in Trading Interval t ,

where the Forced Outage Shortfall for a Facility is equal to which ever of the following applies:

- iii if the Facility is required to have submitted a Forced Outage under clause 3.21.4, the Forced Outage in that Trading Interval measured in MW; or
- iv. if the Facility is an Intermittent Facility which is deemed to not have been commissioned for the purposes of clause 4.26.1, the number of Capacity Credits associated with an the relevant Intermittent Facility ~~in which are deemed to not have been commissioned for the purposes of clause 4.26.1~~; or
- v if from the Trading Day commencing on 1 October of Year 3 the Facility is undergoing an approved Commissioning Test and for the purposes of permission sought under clause 3.21A.2 is a new generating system, the number of Capacity Credits associated with the relevant Facility ~~ies which are undergoing approved Commissioning Tests and for the purposes of clause 3.21A.32 are new generating systems~~; or
- vi if from the Trading Day commencing on 1 October of Year 3 the

Facility is not yet undergoing an approved Commissioning Test and for the purposes of permission sought under clause 3.21A.2 is a new generating system, the number of Capacity Credits associated with the relevant Facility; and

- (b) the total value of the Capacity Credit payments associated with the relevant Facility paid or to be paid under these Market Rules to the relevant Market Participant for the 12 Trading Months commencing at the start of the Trading Day of the most recent 1 October, assuming the IMO acquires all of the Capacity Credits associated with that Facility and the cost of each Capacity Credit so acquired is determined in accordance with clause 4.28.2(b), (c) and (d) (as applicable), less all Facility Forced Outage Refunds applicable to the Facility in previous Trading Months falling in the same Capacity Year.

The proposed amendment to clause 4.26.1A(a)v makes the Forced Outage Shortfall 100 percent of the Capacity Credits assigned to the relevant new generating system in the case where it will still be undertaking approved Commissioning Tests after 1 October (that is it has already begun commissioning but will not be finished until after 1 October).

The proposed amendment to clause 4.26.1A(a)vi makes the Forced Outage Shortfall 100 percent of the Capacity Credits assigned to the relevant new generating system in the case where it has yet to have commenced operation and will have a Commissioning Test Period after 1 October (that is it will be undertaking late commissioning and will not be starting until after 1 October)

7.9.4. System Management must grant permission to synchronise unless:

- (a) the synchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction or an instruction issued under clause 7.6A.3(a); or
- (b) System Management considers that it would not be able to meet the criteria set out in clause 7.6.1 were synchronisation to occur; or
- (c) ~~the synchronisation is not in accordance with the relevant Commissioning Test plan approved by System Management pursuant to clause 3.21A~~ in the case of a Facility that is undergoing Commissioning Tests, synchronisation is not in accordance with the Commissioning Test plan for the Facility approved by System Management pursuant to clause 3.21A.

The proposed amendment to clause 7.9.4 will allow System Management to grant permission to synchronise a new generating system carrying out Commissioning Tests if it is in accordance with the approved Commissioning Test plan. This is precluded under the current Market Rules as a new generator may not have either a Resource Plan or Dispatch instruction as required.

10.6.1. The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as SWIS Restricted Information and the IMO must make this information available from the Market Web Site:

- (a) summary information on Disputes in progress that may impact other Rule Participants;
- (b) schedules of Planned Outages;
- (c) the current Dispatch Merit Order;
- (d) audit reports; ~~and~~
- (e) documentation of the functionality of :
 - i. any software used to run the Reserve Capacity Auction;
 - ii. the STEM Auction software;
 - iii. the Settlement System software; and
- (f) information relating to Commissioning Tests which is supplied under clause 3.21A.16 by System Management, ~~related to approved Commissioning Tests.~~

The proposed amendment to clause 10.6.1 will require the IMO to publish, as SWIS Restricted Information; any related data it receives from System Management about approved Commissioning Tests under clause 3.21A.16.

Commissioning Test Period: The proposed period during which Commissioning Tests will be conducted, as provided to System Management under clause 3.21A.3.

7. THE IMO'S FINAL ASSESSMENT

In preparing its Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Market Rule 2.4.2 outlines that 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*”.

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- Any applicable policy direction from the Minister regarding the development of the market;
- The practicality and cost of implementing the proposal;
- The views expressed in submissions and by the MAC; and
- Any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister in respect of this Rule Change nor has it commissioned a technical review in respect of this Rule Change Proposal.

The IMO's assessment is outlined in the following sections.

7.1 Market Objectives

The IMO considers that the Market Rules as a whole, if amended, will be consistent with the Wholesale Market Objectives.

Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(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	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

Further, the IMO considers that the Market Rules if amended would not only be consistent with the Wholesale Market Objectives but also allow the Market Rules to better address Wholesale Market Objectives (a) and (b), as outlined below:

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

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

The IMO considers that the proposed changes regarding the publication of Commissioning Test plans will improve economic efficiency by providing an indication of the potential supply conditions in the SWIS. The IMO notes that commissioning activities are likely to impact on other generators through Balancing volumes and subsequently MCAP prices. In the case where a commissioning unit is operating the balancer will need to supply less electricity and so there will be a downward impact on the MCAP price. By being able to anticipate potential MCAP prices other Market Generators will be able to make economically efficient decisions over the best allocation of its resources.

- (b) *to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;*

The IMO considers that the proposed changes will facilitate the efficient entry of new competitors. In particular the proposed amendments will allow the energy market payments and the Reserve Capacity Obligations to be decoupled during commissioning of new generators.

This will mean that the new generators will not be subject to UDAP and DDAP payments if commissioning post 30 November. These payments will not apply for a four month period after first connection to the SWIS and which will reduce the financial risk associated with entering the market for new participants. This will potentially result in a greater amount of investment in new projects.

The IMO considers that the proposed changes are consistent with the other market objectives.

7.2 Practicality and cost of implementation

The proposed changes, both to allow late commissioning and to provide full transparency of approved Commissioning Tests, will require some changes to both the Wholesale Electricity Market System and Settlement Systems operated by the IMO. These changes will cost approximately AUD \$57,600. Note that this value has been revised to incorporate the costs of implementing the transparency component of this rule change.

The proposed changes will require some changes to System Management's IT systems which can not commence until mid-2010 due to resource constraints. Given development, implementation and testing requirements System Management does not consider that any system changes could be put in place until the end of 2010. The IMO requested a breakdown of the costs associated with three alternative scenarios for providing information on approved Commissioning Tests from System Management. Further details of the costs provided to the IMO are presented in section 6.4 of this report. Based on the IMO decision to implement full transparency of approved Commissioning Tests, as outlined in section 6.2 of this report, the required changes to System Management's IT system will cost approximately \$125,000.

The overall cost to the market associated with the IT systems changes required for both the IMO and System Management is estimated to be \$182,600. The IMO has assessed the impact of the amendments in terms of the Market Fee rate paid by Market Participants as being equivalent to 0.177 cents per megawatt hour¹³.

7.3 Views expressed in submissions

First Submission Period

Of the four submissions received during the first submission period all supported the intent of the proposal, as the changes will help facilitate entry into the market by new competitors. This is achieved by allowing Commissioning Tests after 30 November of the Capacity Year and by not requiring new generators, while commissioning, to pay UDAP and DDAP during a specified period.

There were some concerns with the current drafting of the Amending Rules raised in the submissions received during the first submission period by LGP, Griffin Energy and System Management. The IMO's response to the issues raised in submissions is contained in Appendix 2 of this report. The IMO did not consider that any of the points raised provided sufficient evidence that the proposed changes would not have the anticipated effect.

On 25 August 2009, it issued an addendum noting System Management's suggestion that Market Generator should provide the IMO details of its commissioning tests and not System Management. The IMO acknowledged that did not specifically cover this issue in its Draft Rule

¹³ The IMO determined this valued based on the assumption that in the case where the proposed changes were not made the money would not be used for another project.

Change Report. While noting that the addendum had no formal standing, the IMO requested Market Participants to make submissions on the Draft Rule Change Report and if considered appropriate the information contained in the addendum.

Second Submission Period

During the second submission period the IMO received submissions from Alinta, Griffin Energy, LGP, Perth Energy, System Management, Synergy and Verve Energy.

The submissions received from Alinta, LGP, Perth Energy and Synergy provided support for the proposed changes to introduce the concept of late commissioning for new Market Generators. Griffin Energy provided support for the proposed changes contingent on the clarification regarding Forced Outages provided at the workshop being incorporated into the drafting.

System Management continued to not support the proposed changes and outlined a number of areas of concern, particularly regarding the publication of Commissioning Test plans. Verve Energy also outlined concerns regarding the transparency of Commissioning Test information and in particular questioned the value of publication of Commissioning Test plans for other Market Generators. Both System Management and Verve Energy considered that Commissioning Test plans should have similar levels of transparency as Resource Plans.

Other submitters also provided specific comment on the transparency of Commissioning Test information. In particular:

- Alinta considered that greater transparency would provide greater certainty and support improved dispatch planning. Alinta did however consider that publication of information should be limited to a MWh profile and fuel information;
- LGP supported a move towards greater transparency in principle but that it is not in a position to assess the value for money of publishing Commissioning Test plans; and
- Perth Energy considered that added transparency will outweigh any downside from publication and that System Management should provide information to the IMO rather than Market Participants.

The IMO's responses to the issues raised during the second submission period are provided in section 6.2 of this report. The IMO notes that it has worked closely with System Management to develop the drafting of the Amending Rules as proposed in this Final Rule Change Report. The IMO does not consider that there remain any outstanding areas of concern which would limit the proposed Amending Rules from have the anticipated effect.

7.4 Views expressed by the Market Advisory Committee

The MAC met to discuss the proposal at various stages:

- 11 February 2009: Presentation to MAC;
- 11 March 2009: Pre-Rule Change Proposal Discussion Paper (PR_2009_08); and
- 29 April 2009: Rule Change Proposal (RC_2009_08).

An overview of the discussion from the various MAC meetings is presented below. Further details are available in the MAC meeting minutes available on the IMO website:

<http://www.imowa.com.au/market-advisory-committee>

February 2009 MAC meeting

The IMO presented the following two concepts:

- Late commissioning tests: a proposal to amend the treatment of Facilities when commissioning (later to become RC_2009_08); and
- Resource Plan compliance during late commissioning (later to become RC_2009_09).

With regards to late commissioning tests it was noted that currently Commissioning Tests can only be approved for new facilities (before 30 November) and for facilities returning from significant maintenance. This means that a new unit commissioning after 30 November must operate and technically commission in the energy market either bilaterally or through the STEM. In this case a Facility's resultant resource plans would mimic its commissioning schedule and any deviations would be subject to UDAP and DDAP payments. Additionally, deviations may be subject to compliance and enforcement issues for deviating from its resource plan.

With regards to late commissioning tests, the IMO proposed:

- A separation of the treatment of commissioning in the Reserve Capacity Market and the Energy Market; and
- The introduction of a late commissioning concept. In particular, new generators can conduct commissioning tests from 30 November without:
 - needing to operate in the energy market;
 - submitting Resource Plans; and
 - being subject to UDAP and DDAP payments.

The initial proposal from the IMO limited the timeframe for late commissioning to just two months. The MAC did not agree with enforcing a timeframe for this, as it was generally agreed that there were other drivers ensuring that generators would move to an in-service state as soon as practicable.

The MAC supported this concept and the IMO in preparing a Rule Change Proposal.

March 2009 MAC meeting

The pre-rule change discussion paper was noted and the IMO advised that it had been provided to System Management and Griffin Energy for their feedback. It was also noted that the IMO and System Management would be meeting to discuss the proposed changes on 19 March 2009.

The MAC queried whether it was necessary to seek Verve Energy's feedback on the on the paper before translating it into the formal rule change process.

The MAC decided that the paper would be progressed and feedback would be sought at the April MAC Meeting at which the proposal would be presented.

April 2009 MAC meeting

There was some discussion around limiting the commissioning period to a four month period. The IMO noted that the specific timeframe was included as an open ended process for commissioning was not seen as an ideal outcome for the market as a whole.

The IMO stated that the four month period would start with the first synchronisation and the timing was selected to match the Reserve Capacity window of entry period.

The MAC generally agreed that there are other drivers ensuring that generators would move to an in service state as soon as practicable.

One MAC member queried if clause 4.26.1A(iv) was necessary, as Intermittent Generators will be captured under new clause 4.26.1A(v). The IMO investigated and found that Intermittent Generators such as wind farms are different when considering commissioning. In a coal plant for example, if commissioning is carried out, this would involve only a few generators and this commissioning would involve ramping up and down of these units. For a wind farm with say 150 turbines, commissioning takes place a turbine at a time, so if only 10 turbines are working, they are still deemed as not commissioned. The IMO therefore considered that this clause is required.

There was a query on what the value of publishing the Commissioning Test plan information under these Amending Rules was and how often this would occur as these can change regularly. System Management suggested, as an alternative, that participants could provide both the IMO and System Management with Commissioning Test plan information.

The MAC agreed that Commissioning Test plan information would only need to be provided to the IMO on a daily basis.

The IMO encouraged MAC members to put forward written submissions as part of the Rule Change Process.

8. THE IMO'S FINAL DECISION

The IMO's final decision is to accept the proposed amendments to clauses 3.21A.2, 3.21A.3, 3.21A.4, 3.21A.7, 4.1.26, 4.12.6, 4.26.1A, 7.9.4, 10.6.1, the glossary and new clause 3.21A.16 of the Market Rules as proposed in the Draft Rule Change Report and amended in section 6.5

8.1 *Reasons for the decision*

The IMO has made its decision on the basis that the Amending Rules:

- will allow the Market Rules to better address Wholesale Market Objective (a) and (b);
- are consistent with the remaining Wholesale Market Objectives;
- have the support of the MAC for progression through the Rule Change Process; and
- have the support of the majority of submissions received during the consultation process.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 7 of this Final Rule Change Report.

9. AMENDING RULES

9.1 *Commencement*

The initial amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8:00am** on **1 June 2010**.

The commencement order for the amended clauses is as follows:

Clause	Subject	Commencement Date
3.21A.2	Permission for Commissioning Tests	1 June 2010
3.21A.3	Commissioning Test approvals	1 June 2010
3.21A.4	Commissioning Test Period	1 June 2010
3.21A.7	Late Commissioning for new generators	1 June 2010
3.21A.16	Provision of information by System Management	1 January 2011
4.1.26	Reserve Capacity Obligations	1 June 2010
4.12.6	Reserve Capacity Obligation Quantity	1 June 2010
4.26.1A	Force Outage Shortfall calculation	1 June 2010
7.9.4	Permission to Synchronise	1 June 2010
10.6.1	Publication of Commissioning information	1 January 2011
Glossary	Definition of Commissioning Test Period	1 June 2010

9.2 Amending Rules

The following clauses are amended (~~deleted text~~, added text):

- 3.21A.2. A Market Participant seeking to conduct a Commissioning Test for a ~~Scheduled Generator~~ generating system that has undergone significant maintenance or for a candidate facility to be registered as a Scheduled Generator new generating system that has yet to commence operation, must request permission for such ~~trial tests~~ from System Management in accordance with clause 3.21A.4.
- 3.21A.3 System Management may ~~only~~ approve a Commissioning Test only for a new generating systems ~~that are expected to be registered as Scheduled Generators that is yet to commence operation,~~ or for an existing ~~Scheduled Generators~~ generating systems which have that has undergone significant maintenance.
- 3.21A.4. A Market Participant requesting permission for Commissioning Tests must submit to System Management the following information at least 20 Business Days in advance of the start date of the proposed ~~trial tests~~:
- (a) the name and location of the facility to be tested;
 - (b) ~~the date and commencement time of all Trading Intervals during which testing will be conducted~~ details of the proposed Commissioning Test Period, including start and end dates for the proposed tests; and
 - (c) details of the tests to be conducted, including an indicative test program, fuel mix and trip risk of the facility to be tested.
- 3.21A.7. System Management must accept a request for a Commissioning Test unless:
- (a) in its opinion inadequate information is provided in the request; or

- (b) in its opinion 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~~ in the case of a new generating system that is yet to commence operation, the proposed Commissioning Test Period is greater than four months.

3.21A.16. By 4.30pm each day System Management must provide the IMO with the information submitted under clause 3.21A.4 and relating to the next Scheduling Day for Commissioning Tests approved under clause 3.21A.9.

4.1.26. Reserve Capacity Obligations apply:

- (a) in the case of the first Reserve Capacity Cycle:
 - i. from the Initial Time, for Facilities that were commissioned before Energy Market Commencement;
 - ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), for Scheduled Generators and Non-Scheduled Generators commissioned between Energy Market Commencement and 30 November 2007, inclusive; and
 - iii. from the Trading Day commencing on 1 October 2007 for Interruptible Loads, Curtailable Loads or Dispatchable Loads commissioned after Energy Market Commencement; and
- (b) for subsequent Reserve Capacity Cycles up to and including 2009:
 - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles; and
 - ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11D, for Facilities commissioned between 1 August of Year 3 and 30 November of Year 3; and
- (c) for subsequent Reserve Capacity Cycles from 2010 onwards:
 - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles; and

- ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11D, for Facilities commissioned between 1 June of Year 3 and 1 October of Year 3; and
- iii. from the Trading Day commencing on 1 October of Year 3, for new generating systems undertaking Commissioning Tests after 1 October of Year 3.

4.12.6. Subject to clause 4.12.7, any initial Reserve Capacity Obligation Quantity set in accordance with clauses 4.12.4, 4.12.5, or 4.28B.4 is to be reduced once the Reserve Capacity Obligations take effect, as follows:

- (a) if the aggregate MW equivalent to the quantity of Capacity Credits (as modified from time to time under the Market Rules) for a Facility is less than the Certified Reserve Capacity for that Facility at any time (for example as a result of the application of clause 4.20.1, clause 4.25.4 or clause 4.25.6), then the IMO must reduce the Reserve Capacity Obligation Quantity to reflect the amount by which the aggregate Capacity Credits fall short of the Certified Reserve Capacity;
- (b) subject to clause 4.27.9, during Trading Intervals where there is a Consequential Outage or a Planned Outage for a Facility provided to the IMO by System Management in accordance with clause 7.3.4, the IMO must reduce the Reserve Capacity Obligation Quantity for that Facility, after taking into account any adjustments in accordance with paragraph (a), to reflect the amount of capacity unavailable due to that outage;
- (c) if the Facility generating system, which for the purposes of permission sought under clause 3.21A.2 has undergone significant maintenance, is subject to a Commissioning Test during a Trading Interval, then the IMO must reduce the Reserve Capacity Obligation Quantity for that Facility ~~must be~~ to zero during that Trading Interval.

4.26.1A. The IMO must calculate the Forced Outage refund for each Facility (“**Facility Forced Outage Refund**”) as the lesser of:

- (a) the sum over all Trading Intervals t in Trading Month m of the product of:
 - i the Off-Peak Trading Interval Rate or Peak Trading Interval Rate determined in accordance with the Refund Table applicable to Trading Interval t ; and
 - ii the Forced Outage Shortfall in Trading Interval t ,

where the Forced Outage Shortfall for a Facility is equal to which ever of the following applies:

- ~~i.~~ iii if the Facility is required to have submitted a Forced Outage under clause 3.21.4, the Forced Outage in that Trading Interval measured in MW; or
 - ~~ii.~~ iv. if the Facility is an Intermittent Facility which is deemed to have not been commissioned, for the purposes of clause 4.26.1, the number of Capacity Credits associated with ~~an~~ the relevant Intermittent Facility ~~in which are deemed to not have been commissioned for the purposes of clause 4.26.1; -and~~ or
 - v if, from the Trading Day commencing on 1 October of Year 3, the Facility is undergoing an approved Commissioning Test and, for the purposes of permission sought under clause 3.21A.2, is a new generating system, the number of Capacity Credits associated with the relevant Facility; or
 - vi. if, from the Trading Day commencing on 1 October of Year 3, the Facility is not yet undergoing an approved Commissioning Test and, for the purposes of permission sought under clause 3.21A.2, is a new generating system, the number of Capacity Credits associated with the relevant Facility; and
- (b) the total value of the Capacity Credit payments associated with the relevant Facility paid or to be paid under these Market Rules to the relevant Market Participant for the 12 Trading Months commencing at the start of the Trading Day of the most recent 1 October, assuming the IMO acquires all of the Capacity Credits associated with that Facility and the cost of each Capacity Credit so acquired is determined in accordance with clause 4.28.2(b), (c) and (d) (as applicable), less all Facility Forced Outage Refunds applicable to the Facility in previous Trading Months falling in the same Capacity Year.

7.9.4. System Management must grant permission to synchronise unless:

- (a) the synchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction or an instruction issued under clause 7.6A.3(a); or
- (b) System Management considers that it would not be able to meet the criteria set out in clause 7.6.1 were synchronisation to occur; or
- (c) in the case of a Facility that is undergoing Commissioning Tests, synchronisation is not in accordance with the Commissioning Test plan for the Facility approved by System Management pursuant to clause 3.21A.

10.6.1. The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as SWIS Restricted Information and the IMO must make this information available from the Market Web Site:

- (a) summary information on Disputes in progress that may impact other Rule Participants;
- (b) schedules of Planned Outages;
- (c) the current Dispatch Merit Order;
- (d) audit reports; ~~and~~
- (e) documentation of the functionality of :
 - i. any software used to run the Reserve Capacity Auction;
 - ii. the STEM Auction software;
 - iii. the Settlement System software; and
- (f) information relating to Commissioning Tests which is supplied under clause 3.21A.16 by System Management.

Commissioning Test Period: The proposed period during which Commissioning Tests will be conducted, as provided to System Management under clause 3.21A.3.

APPENDIX 1: FULL DETAILS OF THE PROPOSAL

Background

A Commissioning Test is a test of the ability of a generating system to operate at different levels of output reliably. Clause 3.21A of the Market Rules and the Market Procedure for Commissioning and Testing outline the process by which Commissioning Tests are applied for, approved and undertaken.

A Commissioning Test will be required when a Market Generator wishes to undertake, or has been directed by the IMO to undertake, a program of equipment testing aimed at testing the ability of a generating system to operate at different levels in order to meet the registration requirements of Chapter 2 of the Market Rules.

A Market Participant seeking to conduct a Commissioning Test must request permission from System Management, submitting the information as required by clause 3.21A.4 to System Management for the approval of such Commissioning Tests. This includes the name and location of the Facility to be tested, the date and commencement time during which testing will be conducted and the details of the tests to be conducted, including an indicative test plan.

According to clause 3.21A.3 a Commissioning Test may only be requested and System Management may only approve a Commissioning Test for:

- a new generating system expecting to be registered as a Scheduled Generator that wishes to have its output capability verified (prior to 30 November); or
- an existing Scheduled Generator that has undergone significant maintenance and is returning to service and wishes to confirm its output capability.

For new Facilities commissioning prior to 30 November the Market Rules:

- allow for the approval of Commissioning Tests by System Management;
- exempt Market Participants from having to provide a Resource Plan;
- ensure new Facilities are not subject to Upward Deviation Administered Price (UDAP) and Downward Deviation Administered Price (DDAP);
- relieve new Facilities from a number of the Reserve Capacity Obligations, including the need to pay Capacity Cost Refunds; and
- allow a Market Participant to nominate when the Facility will be eligible to receive payments for Capacity Credits (and therefore subject to its Reserve Capacity Obligations). The Market Participant can nominate new dates in its monthly or quarterly progress reports that must be submitted to the IMO under the Market Rules.

In its original proposal the IMO however noted that as the Market Rules (clause 3.21A.7A) currently stand System Management is precluded from approving a Commissioning Test for a new generator if that test is to occur after 30 November of the year in which the new generators capacity obligations take effect.

This means that a new Facility commissioning after this date must operate and technically commission while trading in the energy market [unless it postpones entering the market for several months]. In effect, this means that a Facility commissioning after 30 November does so

without the benefit of relief from the full provisions of the energy market, including the requirement to submit Resource Plans and consequent exposure to penalty balancing prices and compliance issues.

Where a new generator has not completed commissioning by 30 November, and therefore unable to conduct Commissioning Tests pursuant to clause 3.21A of the Market Rules, this current obligation to trade in the energy market may serve to prevent the new generator completing its commissioning requirements, and therefore may preclude additional capacity being available.

Clause 7.9.4 of the Market Rules specifies that System Management must grant permission to synchronise a Scheduled Generator unless the synchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction. As it currently stands this clause has the potential to preclude new generators from being able to synchronise as they may have neither a relevant Resource Plan nor Dispatch instruction.

Proposal

The objective of the IMO's Rule Change Proposal was to remove the inconsistency referred to above in relation to the treatment of Facilities in the energy market when commissioning.

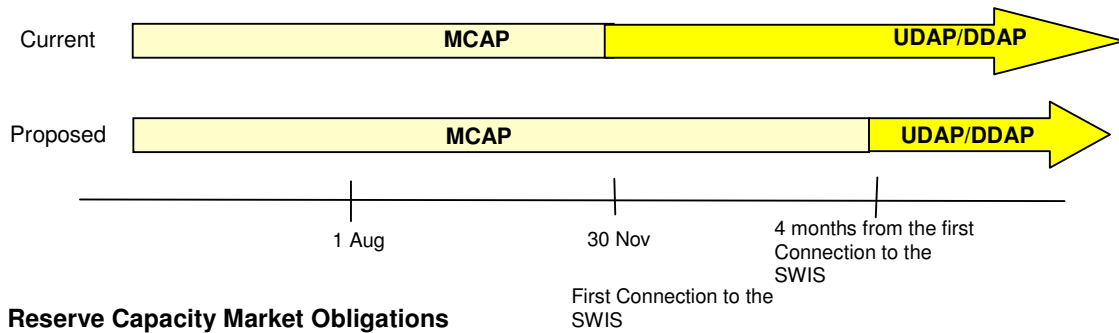
The IMO proposed:

- A separation of the treatment of commissioning in the Reserve Capacity market and the energy market;
- The introduction of a concept of allowing for late commissioning in the Market Rules. In particular, new generators can conduct Commissioning Tests post 30 November without:
 - needing to operate in the energy market;
 - submitting Resource Plans; and
 - being subject to UDAP and DDAP payments; and
- That the late commissioning period be restricted to a defined period of four months, commencing from the date and time of the first connection to the South West Interconnected System (SWIS) for testing purposes. System Management must not approve a commissioning date more than four (4) months after this initial connection date.

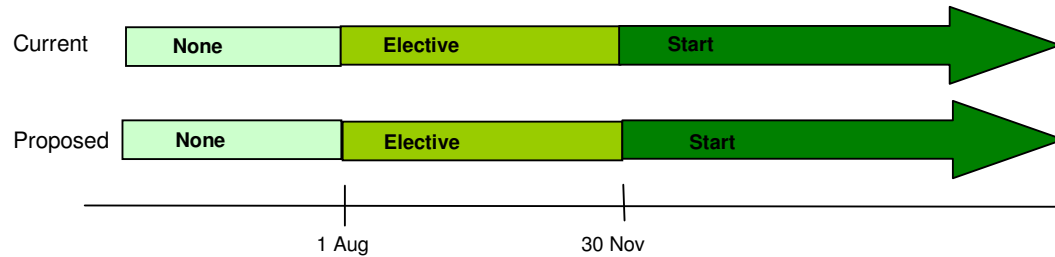
The IMO noted that Facilities commissioning after 30 November will still be subject to any Capacity Cost Refunds arising from the late commissioning (as they are under the current rules).

The following diagram compares the proposal against the status quo:

Energy Market Payments



Reserve Capacity Market Obligations



The IMO contended that this Rule Change Proposal will allow for a number of phases under which Market Participants will be exposed to commissioning; these are outlined in the table below:

	Before 1 August	1 August	From 30 November until either deemed operational or four months from the commencement of Commissioning Tests (whichever is earlier)
Energy Market			
Current	MCAP	MCAP	UDAP/DDAP
Proposed	MCAP	MCAP	MCAP
Reserve Capacity Market			
Current	No Obligations	Market Participant (MP) chooses when to accept obligations subject to IMO approval (and System Management (SM) consultation)	Capacity Credits (CC) and obligations start. MP exposed to Capacity Cost Refunds Managed through ex-post forced outage declarations and energy produced
Proposed	No Obligations	MP chooses when to accept obligations subject to IMO approval (and SM consultation)	CCs and obligations start. Exposure to full Capacity Cost Refunds. MP can choose when to start commissioning (subject to SM approval) but commissioning is limited to a 4 month period.

Additionally, the IMO proposed that:

- System Management be able to grant permission for new generators, who are carrying out Commissioning Tests, to synchronise; and

- The information supplied to System Management under clause 3.21A.4 regarding Commissioning Test plans is to be supplied to the IMO for publication (as SWIS restricted information). This is to allow greater visibility of Commissioning Test programming.

APPENDIX 2: THE IMO'S RESPONSE TO ISSUES RAISED DURING THE FIRST SUBMISSION PERIOD

The IMO response to each of the issues raised during the first submission period is as follows:

Four-month timeframe

- System Management contends that the timeframe for Market Participants to commission may be restricted to less than the intended four month period as it is currently drafted in the Rule Change Proposal.

The IMO notes that Commissioning Tests start from the first connection to the SWIS, not when the Commissioning Test plan is submitted. If the commissioning is delayed before the first connection to the SWIS, another plan can be submitted with a different start date under clause 3.21A.4 (b).

- The LGP submission queried the choice of four months for the specified timeframe, as it considers there is enough incentive already to bring a project to fruition.

The IMO notes that, at stated the MAC Meeting 19, a specific timeframe was included as an open-ended process was not seen as an ideal outcome. The four month period was chosen to match an already accepted period in the Market Rules, which is the window of entry period in the Reserve Capacity Mechanism.

Commissioning Test Plan Acceptance

- System Management contends that the current drafting of new clause 3.21A.7 (d) may oblige System Management to reject a Commissioning Test plan which exceeds four months (for a generating system following first connection).

As noted in the Rule Change Proposal, System Management must not approve a commissioning date more that four months after the initial connection date. It should be noted that MAC members agreed that there are other financial drivers ensuring that generators would move to an in service state as soon as practicable.

The IMO considers that there needs to be a definite timeline in which the relief from UDAP and DDAP ends, and that a four month time period is sufficient for a late commissioning period, when used in conjunction with the external financial drivers.

Interrelation of clauses

- System Management is concerned with possible issues introduced by, the interrelation of clauses 3.21A.4(b), 3.21A.7, and 6.5.1A and that clause 6.5.1A may indicate that the Facility is required to submit a Resource Plan in the interim.

The IMO notes that Commissioning Tests start from the first connection to the SWIS, not when the Commissioning Test plan is submitted. If the commissioning is delayed before the first connection to the SWIS, another plan can be submitted with a different start date under clause 3.21A.4(b).

As noted above, System Management must not approve a commissioning date more than four months after the initial connection date (in accordance with 3.21A.7).

During the four month period contemplated by this Rule Change Proposal a Facility is exempt from submitting a Resource Plan under clause 6.5.1A. However, the IMO agrees that it is feasible that if a Facility cannot fully commission within the four months after its initial connection date that it may be required to submit a Resource Plan and subsequently be subject to UDAP and DDAP.

Commissioning Plans to IMO for Publication

- Under the new clause 3.21A.16 System Management will be required to provide approved Commissioning Test plans to the IMO for all Commissioning Test plans. System Management questioned the necessity of this aspect of the proposal, and requested that the IMO actively canvas the views of Market Generators regarding the implications of this change.

The IMO notes that two members at the MAC Meeting 19 agreed that availability of this information would be valuable. The IMO considers that increased transparency is important to allow the market to operate as efficiently as possible.

However, in order to fully assess the issues raised by System Management the IMO requests that participants specifically submit on this during the second consultation period.

- System Management considers that visibility of an impending Commissioning Test is already provided for in either or both of MT PASA and ST PASA, which is published by the IMO on a monthly or weekly basis, respectively (refer clauses 3.16.9(j) and 3.17.9(j)).

Prior to formally submitting the Rule Change Proposal the IMO discussed using the information in the ST and MT PASA with System Management and at that time it was not the preferred option.

The IMO considers that one of the objectives of this proposal was to make information easy to access and understand for all Market Participants. The information currently supplied regarding Commissioning Tests in the MT PASA and ST PASA is embedded amongst a lot of other information, for this reason publishing the information separately would be preferred. If the ST PASA and MT PASA is used for this purpose The IMO considers that they will need to contain the detail of the Commissioning Tests as required in clause 3.21A.4.

Again, in order to fully assess the issues raised by System Management the IMO requests that participants specifically submit on this during the second consultation period.

- System Management's contends that the requirement to supply Commissioning Test information for publication should not be progressed without further consideration as to how the market objectives are advanced through the proposed changes.

The IMO considers that market objectives (a) and (b) are advanced by increasing transparency of market information for market activities such as Commissioning Tests. Access to market information helps achieve a competitive effective market. Through this

transparency, new Market Participants more likely to be attracted as there will be more confidence on entering the Market.

Available Capacity under Commissioning

- Griffin Energy contends that this proposal introduces a new concept through the addition of clause 4.26.1A(a)(v), where it appears that late commissioning Facilities are deemed to not provide any capacity to the market throughout the Commissioning Test and is equivalent to a full Forced Outage.

As noted in the Rule Change Proposal, the IMO considers that this was one of the intended functions of the new clause 4.26.1A(a)(v). This will incentivise Facilities that are carrying out late commissioning, to bring on stream, the required capacity as quickly as possible.

Changes to System Management Computer Systems

- System Management contends that this Rule Change Proposal may involve significant changes to its IT systems and operational processes. System Management commented that it will only be able to indicate the time of implementation after the Final Rule Change is approved.

The IMO notes that in order to make its final decision it needs to fully assess the practicality and costs of the Rule Change Proposal. This includes any IT or system costs. The IMO will liaise with System Management during the second submission period in order to allow this information to be included in the IMO's final decision making process.

APPENDIX 3: ASSESSMENT OF THE COSTS AND BENEFITS OF GREATER TRANSPARENCY OF APPROVED COMMISSIONING TESTS

The outcomes from the IMO's assessment of the costs and benefits of greater transparency of approved commissioning tests are outlined in the following two tables. Further details of the assessment are provided in section 6.2 of the Final Rule Change Report.

Table 1: Costs associated with greater transparency of Commissioning Test information

Cost	Description of costs (relative to current situation)	Impact
Competitive Position Costs	<p>Scenario 1, 2 and 3</p> <p>The publication of any Commissioning Test information will remove the competitive advantages some Market Participants currently hold in the market with regard to additional knowledge of the anticipated behaviour of commissioning units. The reduction in asymmetries of information could potentially result in a reduction in Market Generators competitive positions in the market. A reduction in competitive advantage in the market is likely to have adverse impacts on the effected Market Generators profit margin. However given that the majority of transactions are bilateral in the WEM a reduction in the competitive advantage some Market Generators may currently hold due to additional knowledge of commissioning activities any financial impacts are likely to only be minor.</p>	Minor
Quality costs	<p>Scenario 1</p> <p>By making all the Commissioning Test information SWIS Dispatch restricted there will be a reduction in the confidentiality level currently applied. This may potentially reduce the quality of information provided to System Management under clause 3.21A.4. A reduction in the quality of information supplied to System Management could potentially result in system operation issues.</p> <p>However System Management should only approve Commissioning Test plans when adequate information is made available there is likely to only be a minimal impact on the quality of information provided compared to the current situation.</p> <p>It is also noted that Market Participants can currently estimate details such as Trip Risk and Fuel Used based on the commissioning facilities specific characteristics and status through its Commissioning Test period. Therefore a reduction in the confidentiality status of this information is unlikely to have significant impacts compared to the status quo for commissioning generators.</p> <p>There is also a potential risk to the market associated with information overload and determining useful information if all information regarding Commissioning Tests is provided.</p>	Minor
	<p>Scenarios 2 and 3</p> <p>Same costs as identified in Scenario 1, however there is a reduced risk of information overload for this scenario as simply a MW/h profile (and fuel used) would be provided which is less likely to be subject to variations.</p>	Minor

Cost	Description of costs (relative to current situation)	Impact
Set-up and Transition Costs	<p>Scenario 1 System Managements IT costs are estimated to be \$125,000 AUD.</p> <p>The IMO's IT costs are estimated to be \$57,600 AUD.</p> <p>The total IT costs are estimated to be \$182,600 AUD.</p>	Major
	<p>Scenario 2</p> <p>System Management IT costs are estimated to be \$100,000 AUD</p> <p>The IMO's IT costs are estimated to be \$37,200 AUD.</p>	Major
	<p>Scenario 3</p> <p>System Management IT costs are estimated to be \$100,000 AUD</p> <p>The IMO's IT costs are estimated to be \$37,200 AUD.</p>	Major
Governance Costs	<p>Scenario 1, 2 and 3 The proposed changes to the Market Rules would only have minor costs to the WEM in terms of the IMO's administration of the rule change process and commencement of Market Rules. These costs are no higher than those usually associated with a standard Rule Change Proposal.</p> <p>There are also minor costs associated with advising new entrant generators and/or potential investors of any changes to the Market Rules that may result from the Rule Change Proposal.</p> <p>The IMO perceives that these governance costs will have no material impact under any of the three scenarios.</p>	None
Operating costs	<p>Scenario 1, 2 and 3 System Management has not indicated any additional resource costs and the IMO does not expect any additional operational costs associated with the proposed amendments. It is anticipated that any operational changes will be automated.</p>	None

Table 2 – Benefits associated with greater transparency of Commissioning Test information

Benefit	Description of benefits (relative to current situation)	Impact
Balancer benefits	<p>Scenarios 1, 2 and 3 There is benefit for the balancer in having commissioning test plan information in that it allows for greater certainty and planning.</p> <p>Currently, System Management provides a daily Dispatch Plan for the balancer which itself takes account of test details that are required due to commissioning. Therefore some of the needs of the balancing party are already being addressed.</p>	None
Reduction in perceived bias Benefits	<p>Scenario 1, 2 and 3 Increased transparency will make compliance monitoring easier and consequently work to mitigate any market power abuse risks</p>	Material

Benefit	Description of benefits (relative to current situation)	Impact
	(real and perceived). By publishing Commissioning Test information System Management will be more accountable to the market for approval decisions than under the status quo. While clause 3.21A.8 requires System Management to not show bias towards a Market Participant when scheduling Commissioning Tests greater transparency of System Management's decisions will send additional signals to new entrant generators that all Market Participants are treated equivalently in the WEM.	
Efficiency Benefits	<p>Scenario 1, 2 and 3</p> <p>Increased transparency will reduce uncertainty associated with commissioning activities and allow Market Participants to make informed decisions regarding allocation of resources, for example whether to operate in the STEM. Transparency of information will increase competition and result in better market outcomes through allocative efficiency gains.</p> <p>The information economics literature notes that information has an economic value as it allows individuals to make choices that yield higher payoffs than those that would be obtained in the absence of information. In particular, Stiglitz (2001)¹⁴ notes that "Information affects decision making in every context – not just inside firms and households." Further Stiglitz (2001) notes that markets may not always provide appropriate incentives for the acquisition and dissemination of information which would lead to reduced market efficiency. Market inefficiency resulting from asymmetries of information can give rise to a host of other market failures such as missing markets and a large number of risk adverse firms. As such Stiglitz (2001) contends this provides support that there is a clear role for greater provision of information from an appropriate source to move towards better market outcomes.</p> <p>Theoretical support for greater transparency of information provided by the information economics literature provides a firm basis for the publication of Commissioning Test information in the WEM to achieve improved efficiency of decision making and better market outcomes.</p>	Major
Financial Benefits	<p>Scenario 1</p> <p><u>Liquidity of the STEM:</u> Any Commissioning Test plans published the day before the scheduling day will be subject to changes in real time. Real time publication of Commissioning Test information would be of little benefit as Market Participants must make offers a day ahead and are unable to change these in real time. Therefore it has been proposed to publish this information at 4.30pm on the day before the scheduling day. This will improve the transparency of Commissioning Test information compared to the current situation and allow Market Participants to take account this information when making STEM submissions.</p> <p>It is however important to note that any information published will be purely indicative and given the uncertain nature of Commissioning Tests it is anticipated that Market Participants would apply a level of caution when making decisions based on any information published by the IMO.</p>	Minor

¹⁴ Stiglitz, Joseph E., 2001. "Information and the Change in the Paradigm in Economics," Nobel Prize in Economics documents 2001-8, Nobel Prize Committee

Benefit	Description of benefits (relative to current situation)	Impact
	<p>Increased transparency of Commissioning Test information will allow Market Participants to estimate the impacts on MCAP prices based on the anticipated impact on the Balancer's operational load when energy is spilled into the market. This will potentially reduce the uncertainty associated with the MCAP price and allow Market Participants to make a more informed decision regarding whether to bid into the STEM.</p> <p>Improved transparency will also promote greater liquidity by encouraging more parties to actively participate in the market.</p> <p><u>Fuel Usage:</u> The provision of information of fuel usage (particularly gas) could allow Market Participants to estimate the impacts on the availability of fuel supplies and the potential impacts on the short term prices of fuel over the period when commissioning will be undertaken. This is supported by Alinta's submission.</p>	Material
	<p>Scenario 2</p> <p><u>Liquidity of the STEM:</u> Same benefits as identified in Scenario 1.</p> <p><u>Fuel Usage:</u> The benefit associated with Fuel Usage would not be applicable if only a MW/h profile was published by the IMO.</p>	Minor None
	<p>Scenario 3</p> <p><u>Liquidity of the STEM:</u> Same benefits as identified in Scenario 1.</p> <p><u>Fuel Usage:</u> Same benefits as identified in Scenario 1.</p>	Minor Material
Investment Benefits	<p>Scenario 1</p> <p><u>Equitable Treatment:</u> By making information on Commissioning Test information equally available to all Market Participants and therefore will reduce a potential barrier to entry into the market. New entrant market generators who perceive that larger incumbent generators will be subject to greater availability of Commissioning Test information due to its competitive position in the market are likely to perceive this asymmetry as a barrier to entry. Making information equally available to all Market Participants will ensure equitable treatment.</p> <p><u>Reduction in information asymmetries:</u> Increased transparency will remove a potential current barrier to entry by ensuring that all participants who enter and operate in the market have full access to information on Commissioning Tests. By reducing information asymmetries all market information will be equally available to all Market Participants, including new entrant Market Generators and thereby create a level playing field for all Market Participants.</p> <p>By publishing all information relating to approved Commissioning Tests there will be a reduction in the need to estimate behaviour of commissioning units and the impacts its fuel usage will have on fuel markets. This will result in a reduction in potentially costly estimation errors (particularly regarding the potential energy output of commissioning units). Further by being able to determine the commercial impact of commissioning units, other Market Generators will be able to optimise its dispatch decisions.</p>	Material Major

Benefit	Description of benefits (relative to current situation)	Impact
	<p>In addition information will be available on the tests being conducted and the likely Trip Risk which will give all Market Participants an indication of the level of risk to the security of the system. This information will fully advise Market Participants of the nature of stresses which the market and system will be facing. Operational and business decisions made by Market Participants will be able to take account the level of perceived risk as well as any potential commercial impacts (associated with transparency of MW/h output profiles and fuel mix).</p>	
	Scenario 2	
	Equitable Treatment: Same benefits as identified in Scenario 1	Material
	<p><u>Reduction in information asymmetries:</u> Same benefits as identified in Scenario 1 with the exception of the reduction in fuel market estimation errors and any benefits associated with availability of information of the tests being undertaken and the likely Trip Risk.</p>	Material
	Scenario 3	
	Equitable Treatment: Same benefits as identified in Scenario 1	Material
	<p><u>Reduction in information asymmetries:</u> Same benefits as identified in Scenario 1 with the exception of the any benefits of greater information regarding tests being undertaken and the likely Trip Risk.</p>	Material