
Wholesale Electricity Market Rule Change Proposal Submission Form

<RC_2010_23 – Consequential Outages>

Submitted by

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Submission

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

The Alinta Proposal

TransAlta supports the original rule change proposal submitted by Alinta on 3 August 2010 (the Alinta Proposal). TransAlta understands that the proposed rule change is necessary to correct a manifest error in the current Market Rules.

Consequential Outage is a defined term in the Market Rules. Under clause 3.21.2, a Consequential Outage is *'an outage of a Facility or item of equipment on the list described in clause 3.18.2 for which no approval was received by System Management, but which System Management determines:*

- (a) was caused by a Forced Outage to another Rule Participant's equipment; and*
- (b) would not have occurred if the other Rule Participant's equipment did not suffer a Forced Outage.'*

Under clause 4.12.6(b) of the Market Rules, the IMO must reduce the Reserve Capacity Obligation Quantity (RCOQ) for a Facility if a Consequential Outage is notified ex-ante by System Management. However, no adjustment is allowed to account for Consequential Outages that are identified ex-post. As a result, the affected Market Participant is not relieved from capacity refunds and penalties for unauthorised deviations from its Dispatch Schedule. This is an oversight in the original drafting of the Market Rules as in many

instances Consequential Outages can only be identified and notified ex-post. It is rarely possible to foresee a Forced Outage to another Rule Participant's equipment and notify a Consequential Outage to System Management ex-ante.

The Alinta Proposal appears straight-forward with minimal implementation costs involved.

The IMO Addendums

TransAlta has noted the alternative drafting by the IMO of the rule change proposal in relation to Consequential Outages. The first IMO Addendum was posted in September 2010 with additional clauses for dealing with (1) impact of partial Consequential Outages, and (2) separate governance arrangements in relation to Consequential Outages. In November 2010 the IMO published its second Addendum in which it removed the additional clauses relating to partial Consequential Outages on the grounds of complexity and higher implementation costs but retained the additional clauses for separate governance arrangements in relation to Consequential Outages.

TransAlta understands the justification for separate governance arrangements is based solely on an assumption that Market Participants would potentially 'game' the proposed rule change by either claiming a Forced Outage as a Consequential Outage, or exaggerating the impact of the Consequential Outage on the Facility. The assumption is yet to be tested.

TransAlta believes the governance framework built into the current Market Rules is sufficient. There is no need to bring in separate governance arrangements in relation to Consequential Outages, adding unnecessary administrative burden to Market Participants.

A Market Participant may lodge a claim for Consequential Outage after being able to establish the cause as a Forced Outage to another Market Participant's equipment and provide its justification to System Management. Only authorised personnel of a Market Participant can lodge Consequential Outages via the SMITTS portal. The IMO Addendum that imposes a Market Participant to issue a separate Notice to System Management signed by an Authorised Officer as defined in the Corporations Act appears a double-handling to this existing market process. The proposed requirement is an administrative burden to Market Participants. It makes little business sense for an Authorised Officer of a company to sign on outages that may have occurred only in one interval in order to apply for Consequential Outages.

After a Market Participant has lodged a claim for Consequential Outages, it is subject to System Management to verify the claim in accordance with clause 3.21.2 of the Market Rules. TransAlta believes System Management has all the necessary information to properly perform its functions described in the Market Rules. If System Management believes it has insufficient information to perform its functions then the deficiency must be resolved.

In conclusion, TransAlta does not support the IMO Addendum for separate governance arrangements in relation to Consequential Outages.

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

TransAlta believes the Alinta Proposal will better facilitate the achievement of Market Objectives (a), (b) and (d):

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

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

(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected System.

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

There would be no direct costs involved in implementing the Alinta Proposal at TransAlta. However, if the IMO Addendum is adopted, additional costs will be incurred to support the additional administrative requirements.

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

The Alinta Proposal will not affect TransAlta's internal processes and can be implemented immediately.