

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 metal lattice tower for power lines stands prominently. The overall scene is set in an open, hilly landscape under a clear sky.

**Independent Market Operator**

**Rule Change Notice**

**Title: Consequential Outage –  
Relief from capacity  
refund and unauthorised  
deviation penalties**

**Ref: RC\_2010\_23**

**Standard Rule Change Process**

**Date: 21 September 2010**

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### Independent Market Operator

Level 3, Governor Stirling Tower  
197 St George's Terrace, Perth WA 6000  
PO Box 7096, Cloisters Square, Perth WA 6850  
Tel. (08) 9254 4300  
Fax. (08) 9254 4399  
Email: [imo@imowa.com.au](mailto:imo@imowa.com.au)  
Website: [www.imowa.com.au](http://www.imowa.com.au)



## 1. THE RULE CHANGE PROPOSAL

### 1.1. The Submission

On 3 August 2010 Alinta submitted a Rule Change Proposal regarding amendments to clauses 6.15.1 and 6.15.2 of the Wholesale Electricity Market Rules (Market Rules).

This Rule Change Notice is published according to clause 2.5.7 of the Market Rules, which requires the IMO to publish a notice within seven business days of receiving a Rule Change Proposal.

#### 1.1.1 Submission details

<b>Name:</b>	Corey Dykstra
<b>Phone:</b>	9486 3749
<b>Fax:</b>	9221 9128
<b>Email:</b>	corey.dykstra@alinta.net.au
<b>Organisation:</b>	Alinta Sales Pty Ltd
<b>Address:</b>	Level 9, 12-14 The Esplanade, PERTH WA 6000
<b>Date submitted:</b>	3 August 2010
<b>Urgency:</b>	<i>Fast Track Rule Change – Correction of manifest error</i>
<b>Change Proposal title:</b>	Consequential Outage – Relief from capacity refund and unauthorised deviation penalties
<b>Market Rules affected:</b>	Clauses 6.15.1 and 6.15.2

### 1.2. Details of the Proposal

In its Rule Change Proposal, Alinta notes that clause 3.21.2 of the Market Rules defines a Consequential Outage as an outage of a Facility or item of equipment on the equipment list described in clause 3.18.2 for which no approval was received by System Management, but which System Management determines:

- was caused by a Forced Outage to another Rule Participant's equipment; and
- would not have occurred if the other Rule Participant's equipment had not suffered a Forced Outage.

Alinta considers it to be a manifest error that where a Facility suffers a Consequential Outage, the Market Rules do not adjust the Facility's Dispatch Schedule for the relevant Trading Intervals to account for that Consequential Outage.

Alinta notes that a Market Participant who suffers a Consequential Outage is not relieved from capacity refunds under clause 4.26 or from penalties for unauthorised deviations from its Dispatch Schedule under clause 6.17, even though these deviations are outside of its control and would not have occurred had another Rule Participant's equipment not suffered a Forced Outage.



That a Market Participant should be exposed to capacity refunds under clause 4.26, with multipliers being as high as 6 in peak periods, due to the Forced Outage of another Participant's Facility or equipment is of particular concern to Alinta.

Alinta notes that in a number of other cases adjustments are made when deviations from a Dispatch Schedule are outside the control of a Market Participant. Specifically, clause 6.15.2 ensures that the Dispatch Schedule for a Trading Interval is set equivalent to the corresponding Metered Schedule for Scheduled Generators that are subject to:

- Commissioning Tests (clause 3.21A); or
- Reserve Capacity Testing (clause 4.25); or
- Dispatch Instructions specifying a minimum MW level (clause 7.7.3(d)(ii)).

### **1.3. The Proposal and the Wholesale Market Objectives**

Alinta considers that the failure of the Market Rules to adjust Dispatch Schedules to account for Consequential Outages represents a manifest error, which has the potential for significant adverse financial implications and must therefore be addressed as soon as possible ahead of the summer peak period.

As a result, Alinta considers that the proposed amendments are necessary to support Market Objectives (a) and (b), as they:

- promote the economically efficient production and supply of electricity and electricity related services in the South West interconnected system; and
- encourage competition among generators in the South West interconnected system, including by facilitating efficient entry of new competitors.

Further, Alinta submits that the proposed amendments eliminate a non-controllable risk by reducing the exposure of Market Participants to capacity refunds or penalties for unauthorised deviations in the event of a Consequential Outage, which is likely to promote Market Objective (d).

Alinta also considers that the proposed amendments are consistent with Market Objective (c) and are not inconsistent with Market Objective (e).

## **2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER**

The IMO has decided to proceed with this proposal on the basis that the IMO's preliminary assessment indicates that the proposal is consistent with the Wholesale Market Objectives.

The IMO originally decided to process this Rule Change Proposal using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules, on the basis that it satisfies the criterion in clause 2.5.9(b) of the Market Rules. Clause 2.5.9 states:

*The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:*



*(a) is of a minor or procedural nature; or*

*(b) is required to correct a manifest error; or*

*(c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The IMO notes that clause 4.12.6(b) of the Market Rules requires the IMO to reduce the Reserve Capacity Obligation Quantity (RCOQ) for a Facility if it is notified ex-ante of a Consequential Outage. This prevents the Market Participant from being penalised for failing to offer the affected capacity into the market. However, under the current Market Rules no adjustment is made to account for Consequential Outages that are identified ex-post, leaving the Market Participant exposed to capacity refunds and deviation penalties. As such, the IMO considers that the proposed amendments fulfil clause 2.5.9(b), in that they are required to correct a manifest error, and therefore may be fast-tracked.

### **2.1 Extension of the consultation period (30 August 2010)**

The IMO extended the consultation period for this Rule Change Proposal until 22 September 2010. This extension was in accordance with clause 2.5.10 of the Market Rules. A notice of this extension was published under clause 2.5.12 on the IMO website on 30 August 2010, and notified to interested stakeholders in the IMO's RulesWatch volume 2 issue 35, published on 30 August 2010.

### **2.1 Second extension and process reclassification (21 September 2010)**

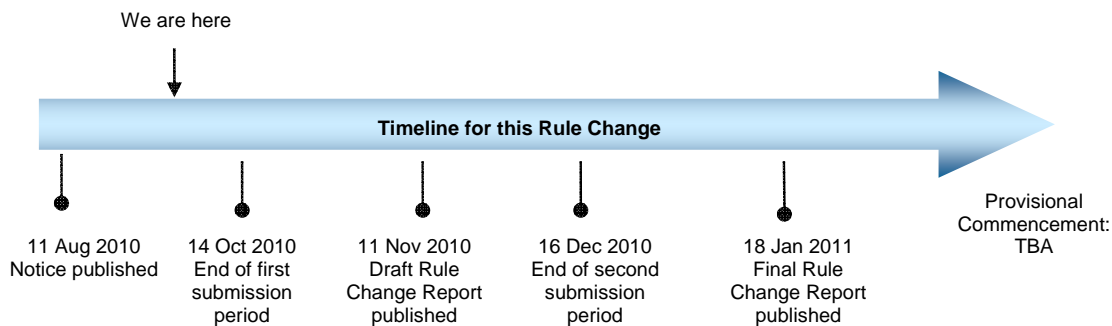
The IMO extended the consultation period for this Rule Change Proposal until 14 October 2010. This extension was in accordance with clause 2.5.10 of the Market Rules. In accordance with clause 2.5.11 the IMO also reclassified the Rule Change Proposal as no longer being subject to the Fast Track Rule Change Process, as the total extension period exceeded 15 business days. The Rule Change Proposal will now be processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

A notice of the extension and the reclassification of the Rule Change Proposal was published under clause 2.5.12 on the IMO website on 21 September 2010..

Note that only sections two and three of this Rule Change Notice have been updated with the revised timelines following the notice of extension. All other parts of this document remain unchanged from the original version published on 11 August 2010.

The projected timeline for processing this proposal is:





### 3. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The extended submission period is 45 Business Days from the publication date of the original Rule Change Notice. Submissions must be delivered to the IMO by 5.00pm on **Thursday, 14 October 2010**.

The IMO prefers to receive submissions by email to [market.development@imowa.com.au](mailto:market.development@imowa.com.au) using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator  
 Attn: General Manager Development  
 PO Box 7096  
 Cloisters Square, Perth, WA 6850  
 Fax: (08) 9254 4399

### 4. PROPOSED AMENDING RULES

Alinta proposes the following amendments to the Market Rules (~~deleted text~~, added text):

6.15.1. For a Market Participant other than the Electricity Generation Corporation, the Dispatch Schedule for a Trading Interval for a Scheduled Generator (excluding those to which clauses 3.21.2, 3.21A.14 or 4.25.10 apply) or Dispatchable Load is:

...

6.15.2. The Dispatch Schedule for a Trading Interval for any of the following Facilities equals the corresponding Metered Schedule:

- (a) a Non-Scheduled Generator;
- (aA) a Scheduled Generator to which clauses 3.21.2, 3.21A.14 or 4.25.10 apply;
- (b) a Non-Dispatchable Load;



- (c) a Curtailable Load;
- (d) an Interruptible Load;
- (e) a Scheduled Generator or Dispatchable Load registered by the Electricity Generation Corporation; and
- (f) a Scheduled Generator or Dispatchable Load registered by a Market Participant (other than the Electricity Generation Corporation) where a Dispatch Instruction of the type described in clause 7.7.3(d)(ii) was issued to the Market Participant in respect of the Facility.

## 5. ABOUT RULE CHANGE PROPOSALS

Clause 2.5.1 of the Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submit this to the IMO.

The IMO will assess the proposal and, within 5 Business Days of receiving the proposal form, will notify the proponent whether the proposal will be progressed further.

In order for the proposal to be progressed the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. The market objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

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