
**Wholesale Electricity Market
Rule Change Proposal Submission Form**

RC_2011_12 Extensions to Procedure Change Process Timelines

Submitted by

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Submission

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

System Management has considered the proposed RC_2011_12 amendments and note that they mirror those contained in RC_2011_10 - Competitive Balancing and Load Following Market in relation to section 2.10 of the Market Rules. In its submission to RC_2011_10 System Management assessed the proposed section 2.10 amendments as a high risk issue and expressed that the:

'IMO has not provided any information supporting its additional discretion in this regard. SM cannot see any material benefits to the amendment as proposed.

Administrative convenience is not a substitute for good process'

The RC_2011_12 proposal paper now provides some additional information to that previously available. In particular the paper sets out that there is no ability for the IMO to issue an extension to any of the timeframes outlined in section 2.10 of the Market Rules. The proposal suggests that this is of particular concern in respect to:

- existing clause 2.10.7 which provides a public consultation period of 20 days from publication of the procedure change proposal; and
- existing clause 2.10.14 relating to a System Management proposal, which provides the IMO with 10 Business Days to make a decision on the proposal.

The proposal paper also states that the amendments will:

- more closely align the rule change process and the procedure change process. (Clause 2.5.10 of the Market Rules allows for an extension of the timelines to the current rule change process); and

- improve the administrative efficiency of the IMO and the integrity of the procedure change process.

System Management acknowledges the need for consistency in process for rule changes and procedure changes and is supportive of improving administrative efficiencies and the integrity of the process.

System Management also recognises that situations will arise where it would be beneficial to have additional time for public consultation, or for making decisions on a proposal. The significance of these factors is heightened in light of the Market Evolution Program.

However, System Management holds the following concerns with the proposed rule amendments as currently drafted.

Risk of inconsistency in the decision making process for timeframe extensions

System Management's view is that a rigorous decision making process should arrive at timeframe decisions that balance the needs of the Market, its participants and other stakeholders. The process should be transparent and be consistently applied.

The proposed rule changes as drafted do not provide any guidance as to when it may be appropriate for the IMO to exercise the discretion to extend timeframes, and in this regard lacks a degree of transparency and may result in the inconsistent application of the proposed power.

The absence of this guidance in the Market Rules or a supporting Market Procedure could lead to a situation where the application of the proposed power is driven by administrative priorities rather than those of the Market and its participants.

Risk of multiple and/or continuous timeframe deferrals for procedure changes

The proposed amendments as drafted do not provide for any right of appeal to a decision to extend the timeframes. There is also an absence of limits to the length of extensions that may be granted or limits to the number of times that an extension may be granted.

This results in the risk of multiple and/or continuous timeframe deferrals for procedure changes, as seen with some recent rule change processes.

For example RC_2010_25 and RC_2010_27 relating to the Calculation of the Capacity Value of Intermittent Generation was subject to deferments to both submission periods and the draft report period. RC_2010_25 and RC_2010_27 were submitted in November 2010 and the final report is due on 21 November 2011. Also the most recent proposed rules are a major departure from that initially proposed by the IMO at the beginning of the rule change process (see System Management's second submission to RC_2010_25 and RC_2010_27).

System Management is concerned that similar issues could arise with procedure change proposals under the current drafting of RC_2011_12. Notably, the current drafting of RC_2011_12 enables the possible scenario of a procedure change to be indefinitely deferred with no requirement for a decision on the proposal to be made.

This could result in a range of adverse consequences for System Management and others including for example compliance breaches, where a procedure change is required in response to a compliance issue. It also introduces greater uncertainty in planning and preparing for possible procedure change proposal outcomes.

Recommendation

System Management's view is that the proposed rule change to provide the IMO with discretion to extend procedure change timeframes should be reconsidered. This view is consistent with the resolution sought by System Management in its RC_2011_10 submission where it was expressed that the:

'IMO (should) commit to processing procedure change proposals in a timely manner, and in the order in which they are submitted unless there is a valid reason to do otherwise. Increased focus and stronger governance should be applied to additional powers and expanded roles that IMO is seeking'.

System Management recommends that the proposed discretion sought through RC_2011_12 be subject to specific conditions contained in the Market Rules and/or subject to a Market Procedure, that sets out a transparent and rigorous process for determining when it is appropriate to extend these timeframes. Consideration should be given to providing a review mechanism to timeframe extension decisions and imposing limits on the extension lengths and the number of times that an extension may be granted.

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

System Management supports the concept of providing sufficient time to the Market for consultation and is supportive of improving administrative efficiencies. System Management is of the view that if the issues identified above are sufficiently addressed, the proposed change will better facilitate the achievement of the Market Objectives.

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

The proposed change as drafted may create uncertainty in terms of implementation planning timeframes for procedure changes and related changes to IT/business systems and internal processes. This may in turn impact on resource planning and have cost implications that cannot be quantified at this point in time.

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

The change, if accepted as proposed, would not require any implementation time.