

RULE CHANGE NOTICE
CONSEQUENTIAL OUTAGE CORRECTION
(RC_2012_04)

This notice is given under clause 2.5.7 of the Market Rules.

Date Submitted: 24 April 2012

Submitter: Ben Tan, Tesla

THE PROPOSAL

Tesla has developed the Rule Change Proposal: Consequential Outage Correction (RC_2012_04) to correct the current definition of a Consequential Outage, which does not contemplate a situation where advanced notice of a Planned Outage for a piece of network equipment is not provided to a Market Generator. In this circumstance the relevant Market Generator would not have had adequate time or have received sufficient information to apply to System Management for a Planned Outage or Opportunistic Maintenance. The Market Generator would subsequently experience a Forced Outage and be exposed to capacity refunds during the relevant Trading Intervals through no fault of its own.

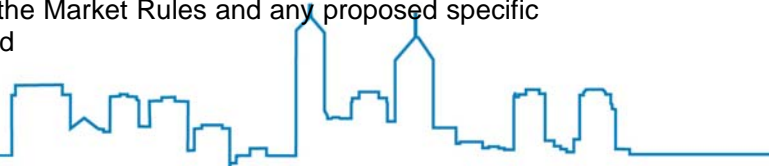
To address this circumstance Tesla proposes to amend the definition of a Consequential Outage to be either the result of a Forced Outage to another Rule Participant's equipment or the result of a Planned Outage to a Network Operator's equipment.

Tesla considers that this change will better achieve Wholesale Market Objectives (a) and (d) as it:

- would promote economically efficient outcomes addressing the perverse situation where a Market Generator is penalised for Network Operator actions which are independent of it (the current wording increases non-controllable risk for a Market Generator of which the cost would be borne by the market); and
- minimise the long term cost of electricity supplied to customers as this non-controllable risk is currently imposing an unquantifiable cost to Market Generators through uncontrolled risks. Reducing this risk will allow lower costs to flow through to the end use customer.

Appendix 1 contains the Rule Change Proposal and gives complete information about:

- the proposed amendments to the Market Rules;
- relevant references to clauses of the Market Rules and any proposed specific amendments to those clauses; and



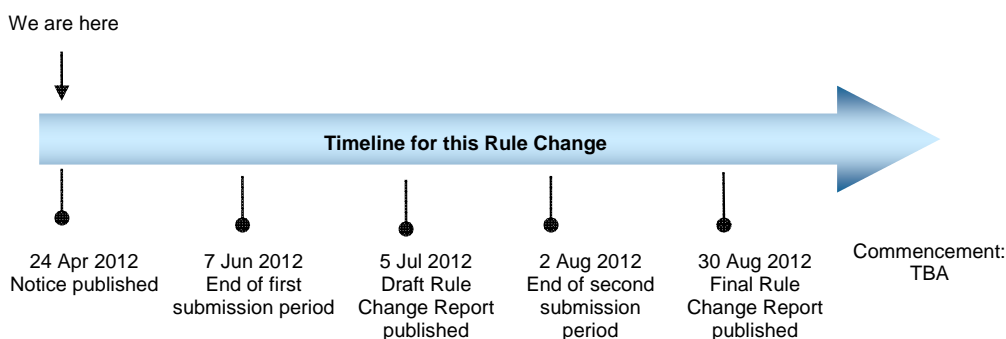
- the submitter's description of how the proposed amendments would allow the Market Rules to better address the Wholesale Market Objectives.

DECISION TO PROGRESS THE RULE CHANGE

The IMO has decided to progress the Rule Change Proposal on the basis that Rule Participants should be given an opportunity to provide submissions as part of the rule change process.

TIMELINE

The projected timelines for processing this proposal are:



CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is 30 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by 5:00pm on **Thursday 7 June 2012**.

The IMO prefers to receive submissions by email to 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: Group Manager, Market Development
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4399



Wholesale Electricity Market Rule Change Proposal Form

Change Proposal No: RC_2012_04
Received date: 24 April 2012

Change requested by:

Name:	Ben Tan
Phone:	(08) 6143 1851
Fax:	(08) 6316 4411
Email:	ben.tan@teslacorp.com.au
Organisation:	Tesla Corporation
Address:	Level 3 Exchange House, 68 St Georges Terrace, Perth
Date submitted:	24 April 2012
Urgency:	3 – High
Change Proposal title:	Consequential Outage Correction
Market Rule(s) affected:	Clause 3.21.2

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form that must be submitted to the Independent Market Operator.

This Change Proposal can be posted, faxed or emailed to:

Independent Market Operator
Attn: General Manager, Market Development
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4339
Email: market.development@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market 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.

Details of the proposed Market Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Background and Issue

The current Market Rules, in particular clause 3.18.5D, provide a mechanism for the coordination of outages between the Network Operator and Market Generators. Likewise the obligations on the Network Operator to provide notice to a Market Generator of a network outage are set out in the Technical Rules under the Access Code. By providing Market Generators with advanced notification of planned network outages it is anticipated that where possible planned maintenance of generators will be shifted to periods that coincide with the unavailability of the relevant transmission or generation asset, and vice versa.

The Market Rules do not contemplate a situation where advanced notice of a Planned Outage for a piece of network equipment is not provided to a Market Generator. In this circumstance the relevant Market Generator would not have had adequate time or received sufficient information to apply to System Management for a Planned Outage or Opportunistic Maintenance. The Market Generator would subsequently experience a Forced Outage and be exposed to capacity refunds during the relevant Trading Intervals through no fault of their own.

A Consequential Outage is logically defined as an outage of a Market Generator that has resulted from an outage of another Rule Participant through no fault of its own. In particular, clause 3.21.2 of the Market Rules states that a Consequential Outage is defined as:

“...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,

but excludes any outage deemed not to be a Consequential Outage in accordance with clause 3.21.10.”

However the current definition of a Consequential Outage only extends to Forced Outages of another Rule Participant’s equipment and not to situations where a Planned Outage of the Network Operator, of which no advanced notification is provided, directly causes a Market Generator to be unavailable.

Proposal

Tesla proposes to amend the Market Rules to define a Consequential Outage as being either the result of a Forced Outage to another Rule Participant’s equipment or a Planned Outage to a Network Operator’s equipment.

This will ensure that the definition of a Consequential Outage is extended to cover situations where a Market Generator either does not receive notification from the Network Operator of the Planned Outage in advance or is not provided notification or sufficient information prior to the outage starting. In both cases the Market Generator will be required to log the Consequential Outage with System Management as soon as practicable in accordance with clause 3.21.4. In particular, this will generally mean that:

- Advanced notification of outages of network equipment will require a Market Generator to log a Consequential Outage (or Planned Outage if maintenance had already been identified as being required on the facility around the time period in question) with System Management prior to the Consequential Outage taking effect. This will ensure that System Management can take into account the outage in its system planning; and
- Insufficient notification of outages (or information being provided through to Market Generator) will require the Market Generator to log a Consequential Outage for the effected periods after the fact.

Note that no amendments to the requirements for provision of information around Consequential Outages are proposed. The existing processes will continue to apply. Tesla

also notes that clause 3.18.7 requires Market Participants and Network Operators to submit Outage Plans in good faith.

Tesla considers that the proposed amendments to the Market Rules outlined in this Rule Change Proposal will correct the error in the definition of Consequential Outage and allow Rule Participants to correctly claim Consequential Outage where its outage is a consequence of a planned network outage and the facility would otherwise be available to System Management for dispatch.

2. Explain the reason for the degree of urgency:

Tesla submits that this Rule Change Proposal should be proceeded on the standard rule change procedure timeline.

3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

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 would not have occurred if the other Rule Participant's equipment did not suffer a Forced Outage; or
- (b) was caused by a Planned Outage to a Network Operator's equipment and would not have occurred if the Network Operator's equipment did not undertake the Planned Outage,
- ~~(b) would not have occurred if the other Rule Participant's equipment did not suffer a Forced Outage,~~

but excludes any outage deemed not to be a Consequential Outage in accordance with clause 3.21.10.

4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

Tesla considers that the proposed Rule Change would improve (a) and (d) of the Wholesale Market Objectives as it:

- Would promote economically efficient outcomes addressing the perverse situation where a Generator is penalised for Network Operator actions which are independent

of it – the current rule wording increases non-controllable risk for a Market Generator of which the cost would be borne by the market

- Minimise the long term cost of electricity supplied to customers as this non-controllable risk is currently imposing an unquantifiable cost to Generators through uncontrolled risks. Reducing this risk will allow lower costs to flow through to the end use customer.

5. Provide any identifiable costs and benefits of the change:

Costs:

No costs associated with implementing the proposed change have been identified.

Benefits:

Rule Participants would no longer be penalised for actions of the Network Operator and improve the transparency and equitability of the Market. The Rule Change would also line up the definition of Consequential Outage with that logically understood by Rule Participants.