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

<RC_2012_11 Transparency of Outage Information>

Submitted by

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Submission

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

System Management welcomes the opportunity to provide further information in relation to this proposal and reiterates its agreement with the notion that, where the net benefits of doing so are positive, improved quality and timeliness of data will lead to improved market outcomes.

Since its previous submission, discussions with the IMO have allowed System Management to further define a high level implementation plan for its systems and process. As a result, this submission includes an indicative (Gate 0) implementation cost estimate.

Although no additional issues have been identified with the proposal since its last submission System Management is concerned at the implications of some comments made by the IMO in the draft report. These concerns are addressed in the following sections.

Scope of the proposal

Although, they can easily be read otherwise, the IMO has confirmed that the amendments described on page 12 are intended to restrict the obligation to a subset of the facilities holding capacity credits i.e that DSP, SIL's etc should be excluded. System Management notes that the implementation cost estimate attached to this submission assumes this will be the case.

To avoid doubt, a proposal that includes obligations on System Management to provide real time operational information in relation to DSP's would require a major investment of time and resources.

The IMO has also confirmed that the proposal intends to remove distribution network elements from the proposal. System Management and the IMO have discussed the IMO's proposed revised drafting at Appendix 1, and the IMO has undertaken to review its approach before finalising its decision.

Removing the obligations with respect to the distribution network elements is unlikely to result in significant savings in the cost of implementation. These elements are components of the Equipment List model that must be built to govern the new systems and processes and the incremental cost of providing this information to the IMO would not be large.

Proper function of System Management

Subsidised returns available to holders of Capacity Credits, competition for transmission network capacity and the fact that there are no regulatory or structural barriers to limit small / micro generation from participation in the WEM is atypical of the situation in most other reformed electricity markets.

Of 98 registered facilities in the WEM for 2013/14, 36 are less than 20 MW and 20 are less than 5 MW of installed capacity. At these levels, the ability for a single contingency to materially impact on power system security is negligible.

Of itself, the proliferation of small scale generators is not an issue for System Management. These facilities are available for dispatch if required and are subsidised by the IMO commensurate with their size. The nature of the sector in Western Australia and the direction of its development globally indicate that over time, this trend will continue and where this may provide increased flexibility in its dispatch responses is welcomed by System Management.

However, System Management perceives that, at least for the moment, the nature of the relationship with distribution generators is more commercial/ contractual than technical in nature.

Failure to comply with a dispatch instruction from System Management is a breach of their Reserve Capacity agreement with the IMO, but is not generally a major concern for System Management from a system security perspective. This means that any additional resources necessary to manage the technical aspects of the connection do not generate much in the way of meaningful efficiency benefits and may in fact increase security risk by diverting System Managements attention away from where it should properly be.

While System Management assists and supports the IMO in its compliance monitoring where it has access to the necessary data, it considers that as the Market Administrator it is the role of the IMO to manage this commercial relationship with smaller scale facilities.

The development of this issue is, in part, a consequence of the sectors' structure which in turn reflects the intent of policy makers at the time legislation disaggregating Western Power was passed by Parliament. Although. System Management has no particular issue in this

respect it considers that it might be appropriate to seek further policy direction from Government in relation to its views on the level of this direction of development for the WEM.

Scope of Costs used in Benefit Cost evaluation

System Management disagrees with the notion that costs associated with building systems that are suitable, and appropriately integrated, into two very different operating environments (namely SOC and NOC) are outside the scope of the benefit and cost considerations of this project.

Its comments on this issue were intended to highlight a structural consideration, where the situation in WA is somewhat atypical of that which applies in many (most) other reformed electricity markets. Although transmission and distribution functions are retained within one organisation in the SWIS, System Management's operational processes and systems for the two functions are almost entirely independent. This merely reflects common practice across the industry.

System Management restates its view that, in the absence of this proposal, there would be no rationale for it to incur the expense involved in building systems which sought to integrate the business processes of two disparate sections of the organisation. However, it is the responsibility of the IMO to conduct economic evaluation of proposals and System Management is comfortable for the IMO to determine the implementation costs that should properly be incorporated for this proposal.

Regardless of its decision on the matter, these costs are a component of the cost to Western Power of its provision of services under the WEM rules. As a result, its budget proposal to the IMO in the relevant years will include amounts to recover operating expenses and depreciation of the associated systems should the project proceed.

System Management entry of participants submissions.

System Managements resistance to the notion that it should be required to determine, and enter forced outage data on behalf of participants is long standing.

The IMO is aware that System Management holds this view because of its concerns regarding the quality of the information it holds when it is first aware of an issue.

System Management also restates its view that, for immediate operational purposes, knowledge of the existence and extent of an issue is all that is required. Any effort expended at that time by the Senior Controller to investigate and form a view on the veracity of the information provided to him contributes nothing to his immediate obligation to manage the SWIS at a time of heightened risk.

The market rules and its own market procedures provide protection to the IMO against risks of this kind. An example is 2.36.6 which grants the IMO power to unilaterally require the use of systems that it specifies and to reject data that is submitted by another method. Its Markets Procedures also require written submissions (fax or email) to be made before an entry to market systems 'under full change control' is processed.

System Management does not have the luxury of requiring similar protections. Time is of the essence when it comes to communications between control rooms on issues that impact

power system security. In this circumstance, the telephone is the quickest, most effective method of communicating the existence and extent of an issue.

However, it would not be sensible or prudent for System Management to implement systems and procedures which force participants to act in a way that does not support the fastest and most succinct operational communications.

The inherent risks that are of concern to System Management have increased with the advent of the new Balancing Market where a manual submission, which is subsequently found to be made in error by System Management, would have already been published to market where it is likely to have resulted in changes to prices and quantities as traders adjust their positions to reflect the new system conditions.

System Management wishes to restate its view that the new CBLF markets require availability declarations by participants in their balancing submissions, and that this information is the most accurate and suitable information until the full and final notification is made in SMITTS. This data is ideally suited to the objectives of the 'transparency' proposal and comes from the trading team of the affected market participant who are authorised to make market submission on its behalf.

System Management reiterates that its knowledge of the actual conditions surrounding a recently occurring contingency is not strong enough for it to accept this responsibility. Its resources and expertise are focussed on the real time operation of the power system. Diverting attention to investigating the veracity or otherwise of comments made to it in short phone discussions with the power station operators under conditions of stress does not contribute to that purpose. Further, neither the SOCC, nor (likely) the power station operators are authorised to make submissions on behalf of that participant.

System Management considers the comments made by the IMO in the draft rule change report on this matter are unreasonable and imply a lack of understanding of the operational priorities of a Power System Operator.

Should the proposal proceed in its current form, the work would be conducted by its market operations team. This would involve an additional 2 FTE to provide for 24/7 availability (Market Operations currently provide around 80hrs coverage per week).

That would involve additional costs of approx \$250k per annum. Initially these roles would have low utilisation but that could be expected to tail off over time. These costs are in addition to those presented in section 3 of this submission.

Accordingly, the IMO is requested to consider the implementation of this proposal based on the clearly suitable alternative described above, ie utilising the availability submission made by the participant under market rules 7A.2.8(b), 7A2.10, 7A2.11. Alternatively, the IMO is requested to continue to seek a pragmatic alternative that achieves its stated intentions but which does not risk exposing System Management and WEM participants to elevated commercial risk and distorted market outcomes.

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



System Management contends that in requiring a range of new data sets to be collected, and systems to be developed in relation to facilities that, at best, are only marginally capable of impacting on power system security this proposal risks costing more than it is likely to achieve in efficiency gains.

This is unfortunate, as the benefits of improved information transparency at the transmission level are likely to be positive.

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.

In light of the Draft Rule Change Report, System Management still envisages significant changes to both new and existing market related business systems as well as ongoing recurring reporting and maintenance costs associated with its new obligations.

The SMARTS infrastructure will be used to develop the new functionality for the new Balancing market so the current functionality in SMMITS will be ported if possible. The full impact of the proposal on the interface between System Management's MPI and SMARTS cannot be determined until the detailed design phase.

System Development Business Requirements

System Management has finalised an estimate of the cost of implementation. However as there is significant uncertainty this estimate should be considered as subject to variation of up to 50% .

High level estimates for the following business requirements are provided to support an estimate of \$870,000 of capital expenditure and \$300,000 of ongoing operating expenditure.

- Interface for Market Participants to request Facility outages and input outage information
- Interface for System Management to review or update Facility outage information
- Energy Market System (EMS) information for Facility actual start and end outage times
- Interface to manage Equipment List
- Interface for Network Operators to request Equipment outages
- Interface for System Management to review Equipment outage requests
- Interface for System Management to update Equipment outage information for planned and unplanned Equipment outages
- EMS Information for unplanned outages
- Exclude capture of Distribution Equipment outage requests
- Assumes continuous transfer with an interface to process outage data (cost varies with frequency of transfers)
- Creation of a new interface for the Network Operator to request Equipment outages

System Development Resourcing Requirements

System Management proposes the following estimated resourcing requirements and associated costs in support of the basic business requirements above.

- Project Management: 6 Months
- Market Analyst: 9 Months
- Markets IT Specialist: 12 Months
- Market Technical Support: 7 Months
- Market Business Support: 2 Months
- Planning Engineer: 4 Months
- SCADA Engineer: 3 Months

System Development and ongoing Business as Usual system maintenance estimated cost

Capital Development costs (2014 and 2015 Financial Years):

Labour cost: \$ 710,000

It software/hardware cost: \$ 160,000

Total Capital Cost: \$ 870,000

Operating/Maintenance costs:

Labour cost: \$ 250,000

Training Cost: \$ 50,000

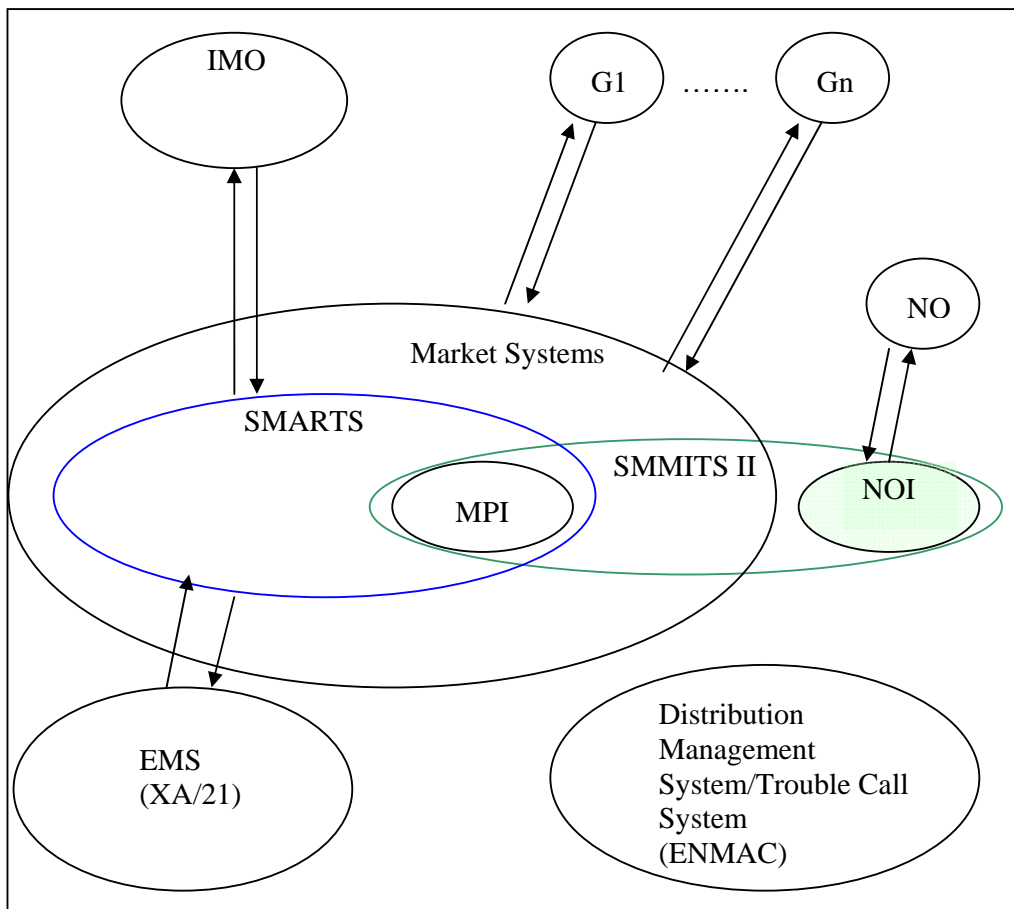
Total Operating cost: \$ 300,000

All of the above costs are exclusive of GST.

The majority of the Operating/Maintenance Labour costs above reflect the need for Market Operations to expand its hours of market coverage to the market to ensure its ability to comply with the new obligations.

System Management will need to dedicate a System Management Market Operator to train these new personnel over a period of 3-6 months. The above operating costs also reflect recruiting part time SCADA personnel to maintain the new functionality on an ongoing basis, and dedicating a Market Operator to train Market Participants to use the new applications in the MPI over a period of 3 months.

Diagram 1 (page following) is included to assist the IMO in understanding the scope of systems caught in the proposal in its current form. This underpins System Managements considered and targeted investments in improving the level of integration of some aspects would have strong benefits.



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

To reiterate, the scope of RC_2012_11 remains significant and, for the reasons outlined above, the program of work required for System Management to implement systems that allow it to comply with the new Rules will be similarly substantial.

The system development timeframe remains at least 18 months, and given that resources integral to addressing this proposal is current absorbed in the SMARTS program, System Management recommends that, should the proposal be approved, the effective date for RC_2012_11 should not occur before June 2014.