# 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 appreciates the opportunity to respond to this proposal and acknowledges the consultative approach adopted by the IMO in the period leading up to its formal submission into the rule change process.

**Background**

RC_2012_11 creates significant new obligations for System Management with respect to the provision of Outage Planning data to the IMO. This data is to be used to support web based reporting by the IMO.

The proposal responds to a finding, under the heading 'Information Disclosure and Bias' of the 5 Year Review of Outage Planning (the "Outage Planning Review") [1] that was conducted by PA consulting in 2011.

[1] Independent Market Operator (2011), 'Five Year Outage Planning Review – FINAL REPORT', report commissioned by the IMO under WEM Rule 3.18.18 and prepared by PA Consulting. Available at : http://www.imowa.com.au/f4540,1608498/Outage_Planning_Review_Final_Report_v4.0.pdf,

The review found:

> *"the outage planning process to be functioning well with some fine-tuning rather than wholesale changes required" (piii).*

However, PA Consulting noted that:

> *"it is somewhat surprising that both the Rules and the PSOP are silent on System Management's obligations with respect to information disclosure…. we are conscious that System Management, to its credit, does in fact disclose information about planned outages" (p44).*

The review also included an outline of the information that is currently provided by System Management to assist their outage planning.

> *"All Market Participants can see the schedules of Planned Outages through the Market Participant Interface (MPI);*
>
> *Market Participants can also view ex post outages for just their Facilities in the MPI; and*
>
> *As part of the ST-PASA website reporting, System Management publishes transmission and generation outage data that is publicly available. The ST-PASA also summarises a range of other market data such as forecast demand and available supply" (p45).*

PA Consulting recommended that the Wholesale Electricity Market could further benefit from improving the timeliness, format and accessibility of the information disclosed.

**System Management's support for RC_2012_11**

System Management can see no reason for outage planning information to be restricted provided it does not compromise SWIS security or reliability and agrees with the hypothesis that providing information to supports improved decisions will in turn support a more efficient outage planning process.

In addition to sustained increases in the volume of outage plans submitted, the process for assessing them is becoming more complex. This is already creating resourcing pressures and so measures that support productivity improvements are welcomed by System Management.

Confidential Information

System Management is concerned where any Rule Change Proposal has the potential to impact on its communications with Generators. For example, WEM Rule requirements which mandate the provision by Generators of commercially sensitive information to the IMO through System Management for the purposes of publication on the market website could incentivise Generators to defer disclosure, or not fully disclose, information that is pertinent to System Management's performance of its system operator function.

As outlined in the Outage Planning Review, a limited dataset regarding planned outages is published to Generators through System Managements MPI. RC_2012_11 substantially increases the scope of that disclosure and may be an issue for that group.

System Management acts to maintain confidentiality of all information that it acquires in performing its functions and has not formed a valid view on the commerciality or otherwise of any particular piece of information included in this rule change proposal. It is will always be difficult for System Management to form such a view because it is not privy to the commercial (WEM settlement) implications at any point in time, or to the trading strategies that Generators might implement to mitigate these risks.

However, if an independent determination on the issue is required. System Management considers that the IMO is best (but not perfectly) placed to make such a determination which should balance the interests of participants with the extent to which the proposal supports the achievement of the market objectives.

System Management requests that the IMO should seek the views of Generators on the acceptable uses of the information that they are required to provide to System Management under RC_2012_11.

Ideally, the final rule change proposal should exclude items of data that would, or might, be commercially sensitive. Uncertainty on this matter will clearly lead to upward pressure on costs through increased requirements for investigation and manual oversight..

**Implementation**

Unfortunately, the implementation of this RC_2012_11 will involve a substantially larger program of work than could be described as fine tuning.

Until recently, conducting some processes manually was deemed more cost effective. The maintenance of the Equipment List is one such process where the complexity involved in its automation would have created a costly system that is utilised relatively infrequently.

Within the current regulatory period, these legacy processes have started to create substantial inflexibility in System Management Operations. As the pace of market evolution increases, these constraints need to be recognised and removed in order for System Management to keep pace with the requirement for change.

Implementation of RC_2012_11 will also require several new user interfaces to allow data entry as well as fast tracking some enhancements to the functionality of the XA21 SCADA assets to allow for the automated recognition of elements of the distribution network.

Achieving the level of automation required to service the increased detail and number of transactions in a way that satisfies service level and governance requirements will also require that the new and upgraded systems be built in such a way that they can be easily ported to the new SMARTS environments in the near future.

Equipment List – incorporation of Distribution Network equipment

It is common practice for System Operators with responsibility for both Transmission and Distribution system assets to separate the management of the two systems and System Management is no different in this regard. However, the established accountabilities and operational focus of both groups is increasingly under pressure from the growing number of Market Generators who are connecting facilities directly to the Distribution network.

Historically, the nature of System Management's obligations to the WEM markets has resulted in the System Operations Control, System Operations Planning and Planning and Market Operations groups of the Division being responsible for WEM functions. These groups are all associated with the SWIS Transmission system.

The Distribution network is managed by the Network Operations Control group within System Management and that group has not been closely associated with the WEM market to this point.

NOCC's systems and processes are all established around the provision of 'customer-facing' retail services typical of the low-voltage network. This contrasts with the SOC, SOP and PMO Branches which are focused on the bulk transfer services typically associated with high voltage, wholesale market level operations.

Establishing the Network Operations Control group as an additional provider of services to the WEM will require careful planning and management. It will also require time and resources that have not been previously been incorporated into System Management's allowable revenue submissions.

These resources are currently paid for out of Access Code rather than WEM market fee revenues. They are governed by a wide range of subsidiary legislation aimed at, for example, consumer protection. Until now these have had a minimal impact on System Management's Transmission functions which operate at the wholesale rather than retail consumer level.

This natural segregation of responsibilities is reflected in System Management's structure and its approach to managing its various obligations in the most cost effective manner.

Further complicating matters is the fact that this natural segregation also reflects the intentions of the regulatory ringfence (Chapter 13 of the Access Code), which formally separates the two functions. Historically, they have been considered to be outside the segregated or 'ringfenced' WEM focused part of System Managements business.

To expand the Equipment List so that it includes distribution assets it will be necessary to bring parts of the Access Code funded business inside the WEM market ringfence, a process that will have a range of regulatory and operational implications that have not been fully considered at this point.

System Management is of the view that successfully addressing the range of challenges in front of it will require automating, centralising and integrating data and elements of the systems that are increasingly impacting on both the Transmission and Distribution functions.

Its approach to defining the implementation project for this proposal reflects that approach

**Materiality governing transmitted outage information**

The potential inconsistencies between clause 3.18.2A of the Rules and the amendments proposed by RC_2012_11 should also be considered in the context of their materiality to improved economic and technical outcomes.

System Management understands the desire to create as detailed, and complete, a picture of the SWIS as possible. However, it must also be recognised that the "Law of Diminishing Returns" is likely to operate in this context and that, at some point, the costs associated with including the marginal distribution connected facility into the formal outage planning process is going to outweigh the benefit gained in doing so.

As an example, the exclusion of individual Registered Facilities and generation systems with a capacity of less than 10MW from the requirement to provide outage information could result in substantial savings.

The concept of materiality could also be applied to clauses 7.13.1D(b) and 7.13.1F(b) to replace the term 'any event' with 'significant event' defined to have a direct or indirect material impact.

**Timing of data transfers**

The provision of outage data continues to be the responsibility of market participants as it should be. However, this raises some practical considerations regarding the accuracy of regular updates provided where it is still possible, or necessary, for data to change as a result of a participant entry of that data.

In particular, proposed clauses 7.13.1D and 7.13.1F require System Management to provide outage information to the IMO 'as soon as practicable' after it receives that information.

System Management considers that these provisions should be amended to clarify that performance against this obligation can only occur after the participant has made a change to the outage data it has recorded in the System Management MPI.

The use of the term 'as soon as practicable' in the context of the provision of Forced and Consequential Outage data (7.13.1F) also implies that participants will input data concerning these types of outages as close to real time as possible.

In practice, full and final provision of the information only occurs when it is entered into System Management's MPI which can occur up to 15 days after the event.

This raises issues with the value of the data being provided to the Market sometime after the event. As a minimum System Management suggests that the 'as soon as practicable' requirement referred to in clause 7.13.1F be amended to 'as soon as practicable after receipt of the full and final details' of the outage.

**Monitoring of outage information**

The proposal would result in a significant increase in the volume of information transferred to the IMO for publication. System Management will be limited in its ability to confirm the accuracy of the information received and will be merely acting as an interface to acquire and to provide outage information to the IMO.

The responsibility to ensure accuracy of the information should rest with the participants and the requirement to monitor the accuracy of the information and investigate potential compliance concerns should be with the IMO.

System Management believes that these issues were agreed with the IMO in the joint meetings held to discuss the rule change proposal. If that is correct, they should be reflected in the revised drafting that is released when the IMO releases its draft rule change report.

System Management is happy to discuss the issue with the IMO if this understanding is incorrect.

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

Subject to the issues identified above, System Management supports the intent of RC_2012_11 Transparency of Outage Information and agrees that improved transparency would better address Market Objectives 1.2.1(a) and 1.2.1(d) set out in the Rules.

Although a substantial body of work will be required to implement this Rule Change Proposal, System Management views the market investment in its systems as essential to its plans to establish systems and processes that support higher standards of service to the IMO and the WEM.

## 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 RC_2012_11 Transparency of Outage Information Rule Change Proposal introduces new and amended obligations which impact a range of System Management's existing market related business systems. Implementation will also require development of new systems, some of which will need to integrate the disparate business needs of the Transmission and Distribution focussed elements of System Management Division.

System Management anticipates that significant IT capital costs will be incurred to progress the IMO's proposal.

It is also likely that a recurrent OPEX cost will be associated with the ongoing fulfilment of the new obligations.

System Management has developed initial costings for this proposal. These must recognise the current resource commitment, and priority, of the SMARTS program (RC_2011_10) and anticipate a lengthy systems development period.

The approach to estimating costs is drawn from, and complies with, Western Powers IT Project Governance Policy. However at this stage there is potential for substantial variance before the estimates are finalised.

For this reason, System Management does not consider that it would be appropriate to disclose the current estimates in this submission.

A final more certain estimate will be finalised in advance of System Managements 2nd submission on this proposal and it is intended that discussions regarding the estimates will be held with the IMO before that occurs. This will allow for any amendments to budgets that result from those discussions to be incorporated into System Management's second submission.

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

The scope of RC_2012_11 is 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.

Importantly, completion of the project will require substantial IT development resources who are currently engaged full time on the work program associated with Release B of its SMARTS systems. This work must take priority as it is essential for System Management to operate effectively under the new market arrangements established by RC_2011_10.

The system changes mentioned earlier are projected over a development period of 18 months and therefore, allowing for the completion of this process, System Management recommends that, should they be approved, the effective date for RC_2012_11 should not occur before June 2014.

However, work is ongoing to develop and refine the project schedule. This may result in changes to this recommendation if the final result of that planning results in development period significantly different to the 18 months currently envisaged.,