

Final Rule Change Report:
Provision of Network Information to System
Management (RC_2014_10)

Standard Rule Change Process

28 June 2018

Contents

- 1. Rule Change Process and Timeline4**
- 2. Proposed Amendments4**
 - 2.1 The Rule Change Proposal4
 - 2.2 The IMO’s Initial Assessment of the Proposal6
- 3. Consultation6**
 - 3.1 The Market Advisory Committee6
 - 3.2 Submissions Received During the First Submission Period6
 - 3.3 The IMO’s Response to Submissions Received during the First Submission Period7
 - 3.4 The Rule Change Panel’s Response to Submissions Received during the First Submission Period7
 - 3.5 Submissions Received during the Second Submission Period7
 - 3.6 Call for Further Submissions7
 - 3.7 Public Forums and Workshops8
- 4. The IMO’s Draft Assessment8**
- 5. The IMO’s Proposed Decision8**
- 6. The Rule Change Panel’s Final Assessment9**
 - 6.1 Assessment Criteria9
 - 6.2 Additional Amendments to the Proposed Amending Rules9
 - 6.3 Assessment of the Proposed Changes9
 - 6.4 Assessment against the Wholesale Market Objectives 10
 - 6.5 Practicality and Cost of Implementation 10
- 7. The Rule Change Panel’s Decision 11**
 - 7.1 Reasons for the Rule Change Panel’s Decision 11

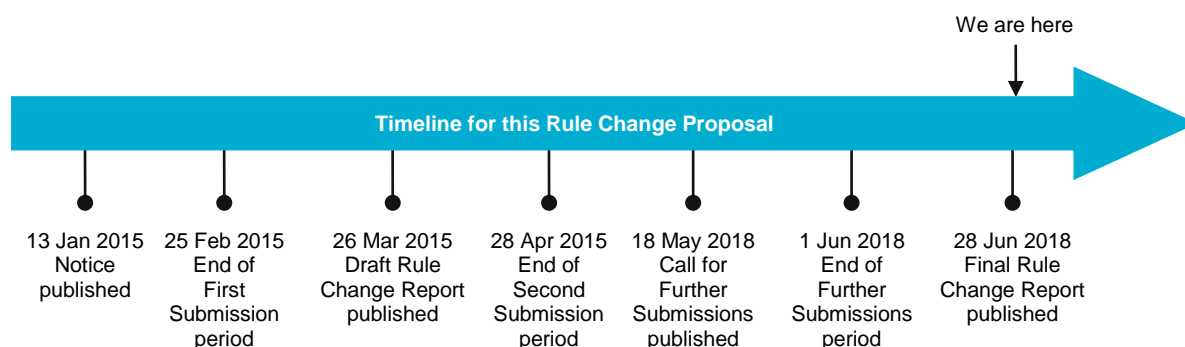
1. Rule Change Process and Timeline

On 13 January 2015, the Independent Market Operator (**IMO**) submitted a Rule Change Proposal titled “Provision of Network Information to System Management” (RC_2014_10).

This proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules. The timeframe for the preparation of the Final Rule Change Report was extended by the IMO under clause 2.5.10 of the Market Rules; and later by the Rule Change Panel under clauses 1.18.3(b) and 2.5.10 of the Market Rules. Further details of the extensions are available on the Rule Change Panel’s website.

On 18 May 2018, the Rule Change Panel published a call for further submissions to seek feedback on its view that the proposed amendments are no longer required.

The key dates for progressing this Rule Change Proposal, as amended in the extension notices, are:



The Rule Change Panel’s final decision is to reject the Rule Change Proposal.

All documents related to this Rule Change Proposal can be found on the Rule Change Panel’s website at [Rule Change: RC_2014_10 - Economic Regulation Authority Western Australia](#).

2. Proposed Amendments

2.1 The Rule Change Proposal

The IMO sought to make two substantive changes to the Market Rules in this Rule Change Proposal.

Changes to the Requirement for Network Information

Clause 2.29.3 of the Market Rules requires a Network Operator to register any transmission system or distribution system owned, operated or controlled by that Network Operator as a Network, where that transmission system or distribution system forms part of the South West interconnected system (**SWIS**), or is electrically connected to that system.¹

At the time the IMO submitted RC_2014_10, a Network Operator was required to provide to the IMO the Standing Data described in Appendix 1(a) of the Market Rules as a pre-condition

¹ AEMO may grant an exemption from the requirement to register a Network under clause 2.29.9.

to registering a Network. The IMO was then required to provide this Standing Data to System Management, to support System Management's operation of the power system.

The IMO considered this process was impractical because the information in Appendix 1(a) was dynamic, and therefore should not be provided as Standing Data. The IMO also considered that the dynamic information should be provided directly to System Management, as the IMO did not use or require the information to carry out any of its functions. Accordingly, the IMO proposed to amend the Market Rules, and align them with operational practice, by:

- removing the requirement for a Network Operator to provide the Standing Data in Appendix 1(a) to the IMO as a pre-condition for registering a Network; and
- requiring a Network Operator to provide System Management with access to the dynamic Network information described in Appendix 1(a) from its Supervisory Control and Data Acquisition systems.

Changes to the Definition of Network

A Network is defined in the Market Rules as “a transmission system or distribution system registered as a Network under clause 2.29.3”. The IMO raised a concern that ‘transmission system’ and ‘distribution system’ are undefined terms and therefore this definition provides little detail about what a Network actually is. The IMO considered that this created a potential ambiguity as to what does and does not constitute (part of) a Network for the purposes of the Wholesale Electricity Market (**WEM**).

In the *Electricity Networks Access Code 2004 (Access Code)*, ‘network’ has the meaning given to ‘network infrastructure facilities’ in the *Electricity Industry Act 2004 (Act)*. This is currently:

“(a) the electrical equipment that is used only in order to transfer electricity to or from an electricity network at the relevant point of connection including any transformers or switchgear at the relevant point or which is installed to support or to provide backup to that electrical equipment as is necessary for that transfer; and

(b) the wires, apparatus, equipment, plant and buildings used to convey, and control the conveyance of, electricity,

which together are operated by a person (a network service provider) for the purpose of transporting electricity from generators of electricity to other electricity networks or to end users of electricity”.

The IMO proposed to change the definition of Network in the Market Rules to align more closely with the definition in the Access Code. The proposed definition was:

“the electrical equipment that is used in order to transfer electricity within the SWIS, and between the relevant points of connection for a distribution system or transmission system, registered under clause 2.29.3”.

The IMO considered this definition provided greater detail on what a Network is, by reference to its physical characteristics, and would better distinguish Network equipment from non-Network equipment, and therefore provide greater certainty to parties in relation to their obligations to register as a Network Operator and to register a Network Facility.

Full details of the Rule Change Proposal are available on the Rule Change Panel's website.

3.2 The IMO's Initial Assessment of the Proposal

The IMO decided to progress the Rule Change Proposal on the basis that the proposed amendments were expected to better achieve Wholesale Market Objectives (a) and (d). On this basis, the IMO considered that stakeholders should be given an opportunity to provide submissions as part of the Standard Rule Change Process.

3. Consultation

3.1 The Market Advisory Committee

The IMO presented a Pre-Rule Change Proposal for RC_2014_10 to the Market Advisory Committee (**MAC**) at its 3 December 2014 meeting. The following comments were made:

- Mr Dean Sharafi noted that System Management would not be able to store or be responsible for the Network information provided to it. Ms Erin Stone clarified that the obligation on a Network Operator was to provide System Management with access to its Network information, consistent with current practice.
- Mr Shane Cremin queried where the existing obligations for a Network Operator to provide Network information via the IMO to System Management reside. Ms Kate Ryan responded that the obligation exists in the Standing Data requirements in Appendix 1 of the Market Rules.

MAC members agreed that the IMO should submit the Rule Change Proposal into the formal process and progress it using the Standard Rule Change Process.

During a discussion of urgency ratings for open Rule Change Proposals at the 16 August 2017 MAC meeting, MAC members and observers confirmed their agreement with RCP Support's assessment that RC_2014_10 had been superseded by recent rule changes made by the Minister.

Further details are available in the MAC meeting minutes available on the Rule Change Panel's website at [Market Advisory Committee Meetings - Economic Regulation Authority Western Australia](#).

3.2 Submissions Received During the First Submission Period

The first submission period was held between 14 January 2015 and 25 February 2015. Submissions were received from Community Electricity and Perth Energy.

Community Electricity supported the Rule Change Proposal on the grounds that it would improve efficiency by removing the superfluous intermediate process (of the IMO receiving Network information for the sole purpose of providing it to System Management) without affecting the operation of the Market Rules.

Perth Energy also supported the proposed changes to the requirements for Network information, as it considered they would remove any ambiguity that may exist around the way in which System Management may access the most accurate and up to date information about the SWIS at all times, to ensure it makes the most safe and efficient decisions in relation to the way it manages all resources on the system.

While Perth Energy agreed in principle with the proposal to more closely align the definition of Network with the definition in the Access Code, it proposed that the IMO should adopt the exact definition from the Access Code in the Market Rules. Perth Energy considered that adopting the same definition, either by reference to the Act or by copying the wording

exactly, would ensure consistency and remove any possibility for confusion within the WEM as to what is meant by a Network.

The assessment by submitting parties as to whether the proposal would better achieve the Wholesale Market Objectives is summarised below:

Submitter	Wholesale Market Objective Assessment
Community Electricity	Improves the integrity of the Market Rules and is consistent with all of the Wholesale Market Objectives.
Perth Energy	Subject to its comments regarding the definition of Network, Perth Energy considered the changes would aid the achievement of Wholesale Market Objectives (a) and (d).

Both submissions are available in full on the Rule Change Panel’s website.

3.3 The IMO’s Response to Submissions Received during the First Submission Period

In response to Perth Energy’s suggestion, the IMO agreed that, to the extent possible, it is advantageous to align the definition of a Network in the Market Rules with other key legislative instruments governing the electricity industry to improve transparency and reduce the potential for confusion. The IMO proposed further amendments to the definition to more closely align it with the definition in the Access Code. However, for several reasons the IMO considered it was inappropriate to fully align the definition of a Network in the Market Rules with that in the Access Code.

The IMO’s response to the submissions received during the first submission period is available in full in section 4.3 of the Draft Rule Change Report.

3.4 The Rule Change Panel’s Response to Submissions Received during the First Submission Period

For the reasons set out in section 6.3 of this report, the Rule Change Panel considers that the current definition of Network in the Market Rules is consistent with the Act and it would be inappropriate to change the definition to align, in part or full, with the definition of ‘network infrastructure facilities’ in the Act. The Rule Change Panel notes that the use of the terms transmission system and distribution system, which are defined in the Act, achieve the objective of Perth Energy’s suggestion, which was to ensure consistency and remove any possibility for confusion within the WEM as to what is meant by a Network.

3.5 Submissions Received during the Second Submission Period

The second submission period was held between 27 March 2015 and 28 April 2015. The IMO received no submissions during the second submission period.

3.6 Call for Further Submissions

In May 2015, the Minister asked the IMO to exercise its discretion under clause 2.5.10 of the Market Rules to extend the normal timeframes for processing all Rule Change Proposals in progress (except for those relating to the deferral of Reserve Capacity Cycles) until the new rule change approval body was established as part of the Electricity Market Review reforms.

The rule making functions of the IMO were transferred to the newly formed Rule Change Panel on 26 November 2016. The Rule Change Panel commenced its rule making functions on 3 April 2017.

The Rule Change Panel further extended the timeframe for the publication of the Final Rule Change Report in extension notices published on 10 April 2017 and 21 December 2017. The purpose of the extensions was to allow the Rule Change Panel sufficient time to assess the Final Rule Change Report against the recent changes to the Market Rules while managing competing priorities of other Rule Change Proposals.

Based on its assessment of the Rule Change Proposal, which is presented in section 6.3 of this report, the Rule Change Panel formed the view that the rule changes proposed in RC_2014_10 are no longer necessary, and the Rule Change Proposal can be rejected.

On 18 May 2018, the Rule Change Panel published a call for further submissions on RC_2014_10, to seek feedback from stakeholders as to whether they have any concerns with the Rule Change Panel's assessment of the proposal. The Rule Change Panel received no submissions during the further submission period, which closed on 1 June 2018.

3.7 Public Forums and Workshops

No public forums or workshops were held in regard to this Rule Change Proposal.

4. The IMO's Draft Assessment

The IMO's draft assessment against clauses 2.4.2 and 2.4.3 of the Market Rules and analysis of the Rule Change Proposal are provided in section 5 of the Draft Rule Change Report.

5. The IMO's Proposed Decision

The IMO's proposed decision was to accept the Rule Change Proposal as modified by the amendments outlined in section 5.1 and specified in Appendix A of the Draft Rule Change Report. The modified proposed Amending Rules were presented in section 7 of the Draft Rule Change Report.

The IMO made its proposed decision on the basis that the proposed Amending Rules, as amended following the first submission period:

- better achieved Wholesale Market Objectives (a) and (d);
- were consistent with the remaining Wholesale Market Objectives;
- would better reflect current operational practice and provide for a more efficient method of data provision than was currently contemplated by the Market Rules;
- removed an impediment to registration of Network Facilities in the WEM; and
- had the support of the MAC and the submissions received during the first submission period.

Additional detail outlining the analysis behind the IMO's proposed decision is provided in section 5 of the Draft Rule Change Report.

6. The Rule Change Panel's Final Assessment

6.1 Assessment Criteria

In preparing its Final Rule Change Report, the Rule Change Panel must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Clause 2.4.2 states that the Rule Change Panel *“must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives”*. Additionally, clause 2.4.3 states that, when deciding whether to make Amending Rules, the Rule Change Panel must have regard to:

- any applicable statement of policy principles the Minister has issued to the Rule Change Panel under clause 2.5.2 of the Market Rules;
- the practicality and cost of implementing the proposal;
- the views expressed in submissions and by the MAC; and
- any technical studies that the Rule Change Panel considers necessary to assist in assessing the Rule Change Proposal.

In making its final decision, the Rule Change Panel has had regard to each of the matters identified in clauses 2.4.2 and 2.4.3 of the Market Rules as follows:

- the Rule Change Panel's assessment of the Rule Change Proposal against the Wholesale Market Objectives is available in section 6.4 of this report;
- the Rule Change Panel notes that there has not been any applicable statement of policy principles from the Minister in respect of this Rule Change Proposal;
- the Rule Change Panel's assessment of the practicality and cost of implementing the Rule Change Proposal is available in section 6.5 of this report;
- A summary of the views expressed in submissions and by the MAC is available in section 3 of this report; and
- the Rule Change Panel does not believe a technical study in respect of this Rule Change Proposal is required and therefore has not commissioned one.

The Rule Change Panel's assessment is presented in the following sections.

6.2 Additional Amendments to the Proposed Amending Rules

Following the first submission period the IMO, in response to the suggestion received from Perth Energy, made proposed further amendments to the definition of a Network in the Market Rules, to more closely align it with the definition of 'network' in the Access Code and 'network infrastructure facilities' in the Act.

The changes made to the proposed Amending Rules presented in the Rule Change Proposal are available in Appendix A of the Draft Rule Change Report.

6.3 Assessment of the Proposed Changes

The Panel has assessed the changes proposed in RC_2014_10 against the current Market Rules, which have been extensively changed since the proposal was submitted in January 2015.

(1) Changes to the requirement for Network information:

Since the publication of the Draft Rule Change Report, the Minister has made changes to the Market Rules that are targeted for amendment by RC_2014_10, including the Amending Rules in Schedule A of the *Wholesale Electricity Market Rules Amending Rules 2016* published in Gazette 2016/89, which:

- gave System Management the function to develop a Power System Operation Procedure specifying information that a Network Operator must provide to System Management for each of its Networks in clause 2.28.3A; and
- deleted Appendix 1(a), which required Network Operators to provide Standing Data for each Network as a pre-condition of Facility registration.

These Gazetted changes, combined with clause 2.9.8, which requires Rule Participants to comply with Market Procedures, achieve the proposed changes to the requirements for Network information.

(2) Changes to the definition of Network:

The Market Rules define a Network as “a transmission system or distribution system registered as a Network under clause 2.29.3”.

RC_2014_10 proposed changes to clauses 2.28.2, 2.28.3, 2.28.4, 2.29.3 of the Market Rules, and to the definition of Network in Chapter 11 of the Market Rules to:

- clarify the definition of a Network; and
- align the term with the Access Code; as the terms ‘transmission system’ and ‘distribution system’ were thought to be undefined and unclear.

However, the terms ‘transmission system’ and ‘distribution system’ are defined in the Act.² Clause 1.3.1 of the Market Rules states that a word or phrase defined in the Act has the same meaning when used in the Market Rules, so the terms transmission system and distribution system are defined in the Market Rules, which makes the proposed changes to the definition of Network superfluous.

Therefore, the Rule Change Panel is of the view that the rule changes proposed in RC_2014_10 are no longer necessary, and the Rule Change Proposal should be rejected.

6.4 Assessment against the Wholesale Market Objectives

The Rule Change Panel considers the proposed amendments would not deliver any outcomes that would better achieve the Wholesale Market Objectives.

6.5 Practicality and Cost of Implementation

The Rule Change Panel considers that as the proposed amendments are inappropriate their implementation would be impractical and impose unnecessary administrative cost.

² The Act defines the terms:

- **transmission system** means any apparatus, equipment, plant or buildings used, or to be used, for, or in connection with, the transportation of electricity at nominal voltages of 66 kV or higher; and
- **distribution system** means any apparatus, equipment, plant or buildings used, or to be used, for, or in connection with, the transportation of electricity at nominal voltages of less than 66 kV.

7. The Rule Change Panel's Decision

The Rule Change Panel's final decision is to reject the Rule Change Proposal.

7.1 Reasons for the Rule Change Panel's Decision

The Rule Change Panel has made its decision on the basis that the proposed Amending Rules are no longer necessary.