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## Wholesale Electricity Market Rule Change Proposal Form

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**Change Proposal No:** RC\_2010\_23  
**Received date:** 3 August 2010

**Change requested by:**

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<b>Date submitted:</b>	3 August 2010
<b>Urgency:</b>	<i>Fast Track Rule Change – Correction of manifest error</i>
<b>Change Proposal title:</b>	Consequential Outage – Relief from capacity refund and unauthorised deviation penalties
<b>Market Rule(s) affected:</b>	Market Rules 6.15.1 and 6.15.2

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### 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: Manager Market Development and System Capacity  
PO Box 7096  
Cloisters Square, Perth, WA 6850  
Fax: (08) 9254 4339  
Email: [market.development@imowa.com.au](mailto: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.

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## **Details of the proposed Market Rule Change**

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

Under Market Rule 3.21.2 a Consequential Outage is an outage of a Facility or item of equipment on the equipment list described in Market Rule 3.18.2 for which no approval was received by System Management, but which System Management determines:

- was caused by a Forced Outage to another Rule Participant's equipment; and
- would not have occurred if the other Rule Participant's equipment had not suffered a Forced Outage.

Alinta considers it is a manifest error that where an outage of a Facility is a Consequential Outage for the purposes of Market Rule 3.21.2, the Market Rules do not adjust the Facility's Dispatch Schedule for the relevant Trading Intervals to account for the Consequential Outage.

As a result, the affected Market Participant is not relieved from capacity refunds under Market Rule 4.26 or from penalties for unauthorised deviations from its Dispatch Schedule under Market Rule 6.17 due to the Consequential Outage, despite such deviations being outside of its control and that the deviation would not have occurred had the other Rule Participant's equipment had not suffered a Forced Outage.

That a Market Participant should be exposed to capacity refunds under Market Rule 4.26, with such multipliers being as high as 6 in peak periods, due to the Forced Outage of another Participant's Facility or equipment is of particular concern.

The failure of the Market Rules to adjust the Dispatch Schedule for the relevant Trading Intervals to account for the Consequential Outage is in contrast with adjustments that are made in a number of other instances where deviations from a Dispatch Schedule are outside of the control of a Market Participant.

Specifically, Market Rule 6.15.2 ensures that the Dispatch Schedule for a Trading Interval is set equivalent to the corresponding Metering Schedule for Scheduled Generators that are subject to:

- Commissioning Tests (Market Rule 3.21A); or
  - Reserve Capacity Testing (Market Rule 4.25); or
  - Dispatch Instructions (Market Rule 7.7).
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## **2. Explain the reason for the degree of urgency:**

The Market Rules do not currently relieve Market Participants from exposure to capacity refunds under Market Rule 4.26 or from penalties for unauthorised deviations from Resource Plans under Market Rule 6.17 where an outage of a Facility is a Consequential Outage.

Alinta considers that the failure of the Market Rules to adjust the Dispatch Schedule for the relevant Trading Intervals to account for any Consequential Outage represents a manifest error that has the potential to have significant adverse financial implications and must therefore be addressed as soon as possible ahead of the summer peak period.

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## **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)**

6.15.1. For a Market Participant other than the Electricity Generation Corporation, the Dispatch Schedule for a Trading Interval for a Scheduled Generator (excluding those to which clauses ~~3.21.2~~, 3.21A.14 or 4.25.10 apply) or Dispatchable Load is:

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6.15.2. The Dispatch Schedule for a Trading Interval for any of the following Facilities equals the corresponding Metered Schedule:

- (a) a Non-Scheduled Generator;
- (aA) a Scheduled Generator to which clauses 3.21.2, 3.21A.14 or 4.25.10 apply;
- (b) a Non-Dispatchable Load;

- (c) a Curtailable Load;
- (d) an Interruptible Load;
- (e) a Scheduled Generator or Dispatchable Load registered by the Electricity Generation Corporation; and
- (f) a Scheduled Generator or Dispatchable Load registered by a Market Participant (other than the Electricity Generation Corporation) where a Dispatch Instruction of the type described in clause 7.7.3(d)(ii) was issued to the Market Participant in respect of the Facility.

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

Unauthorised deviations from a Facility's Dispatch Schedule that are the result of a Consequential Outage are outside of the control of the Market Participant whose Facility is subject to the Consequential Outage, and would not have occurred if the other Rule Participant's equipment had not suffered a Forced Outage.

Consequently, the failure of the Market Rules to adjust the Dispatch Schedule for the relevant Trading Intervals to account for any Consequential Outage represents a manifest error that has the potential to have significant adverse financial implications and must therefore be addressed as soon as possible ahead of the summer peak period.

As a result, Alinta considers that the proposed amendments to Market Rules 6.15.1 and 6.15.2 outlined in section 3 are necessary to support Market Objective (a) and (b), as it:

- promotes the economically efficient production and supply of electricity and electricity related services in the South West interconnected system; and

- encourages competition among generators in the South West interconnected system, including by facilitating efficient entry of new competitors.

Further, by reducing the exposure of Market Participants to capacity refunds or penalties for unauthorised deviations from Resource Plans where an outage of a Facility is a Consequential Outage, the proposed amendments to Market Rules 6.15.1 and 6.15.2 eliminate a non-controllable risk, which is likely to promote Market Objective (d), minimising the long-term cost of electricity supplied to customers from the South West interconnected system.

Alinta also considers that the amendments to Market Rules 6.15.1 and 6.15.2 outlined in section 3 are consistent with Market Objective (c), and are not inconsistent with Market Objective (e).

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

As noted above, a benefit of the proposed amendments to Market Rules 6.15.1 and 6.15.2 outlined in section 3 is that Market Rules will no longer expose Market Participants to capacity refunds or penalties for unauthorised deviations from Resource Plans where an outage of a Facility is a Consequential Outage. Eliminating this non-controllable risk is likely to promote Market Objective (d), minimising the long-term cost of electricity supplied to customers from the South West interconnected system.

The proposed amendments to Market Rules 6.15.1 and 6.15.2 require the IMO to adjust the Dispatch Schedule for relevant Trading Intervals to account for any Consequential Outage.

As a result, Alinta expects that there may be a slight increase in the administrative costs incurred by the IMO, although this is likely to be minimal given the low incidence of Consequential Outages.

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