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Dear Bruce

EMISSIONS INTENSITY REPORTING – IMO CONSULTATION PAPER

System Management welcomes the opportunity to provide a submission to the IMO's consultation paper (EII_CP_001) on its proposal to develop and publish an Emissions Intensity Index (EII) for the Wholesale Electricity Market (WEM).

System Management supports the work being undertaken by the IMO to progress the development of an EII and notes that this aligns with similar initiatives in other jurisdictions, including the National Electricity Market.

We note that the purposes of the EII will be to provide WEM participants and stakeholders with additional information on emissions, increasing transparency within the WEM and also potentially for commercial use to pass through costs associated with emissions related taxes (associated with the Federal Government's Carbon Pricing Mechanism). In this context System Management recognises the need to consider the broader policy and regulatory environment in the development of Western Australia's electricity supply industry.

We have considered the issues discussed in the consultation paper and provide comment below in respect to some of these matters.

Use of SCADA Data

System Management notes that the proposal is to use 'sent out' SCADA data in the calculation of the EII as noted in ACIL Tasman's report on the 'Development of an emission intensity index for the WEM'.

While the design of the EII is not finalised, there are limitations to System Management's visibility of energy 'used on works'. The SCADA data that System Management provides for settlement of unmetered generators (principally Verve units) to the IMO does not include 'used on works' values, and while this data is available at some sites, it is not comprehensively captured across all sites.

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However the EII is still in its early stages of development and there is opportunity to design and implement suitable SCADA data streams for use in calculating the index if under the final design, these are different to what currently exists.

The cost and resource implications for System Management for any SCADA related work that may be required would need to be factored into System Management's annual budget prepared under the WEM Rules and the associated work program would need to be incorporated into our existing plan of works.

In the circumstances, continued consultation with System Management throughout the design phase would allow the most efficient implementation and ensure that any implementation costs are factored into System Management's annual budget and adequately resourced in its work program.

Should the index be an informal measure or be formalised within the market rules and procedures?

We note that the 'IMO recommends that initially data is provided voluntarily by all participants, but that the requirements and process be formalised within the rules and procedures in the medium term'.

To commence the EII through informal arrangements carries a range of risks including:

- Insufficient governance arrangements for the EII requirements
- No compulsion on participants to comply with the EII requirements
- Lack of participation by participants may degrade the usefulness of the EII
- Potential for the cost of implementation to be disallowed by the Economic Regulation Authority (ERA) as obligations for System Management relating to the EII are not contained in the WEM Rules. (The WEM Rules place an obligation on the ERA when considering System Management's costs in the context of its allowable revenue, to ensure that those costs are related to functions and obligations under the WEM Rules – refer to WEM Rule 2.23.12(b) read in conjunction with WEM Rule 2.23.1).

The rule change process is intended to ensure that adequate consultation and governance are in place around any proposal to change legal obligations or impose costs on participants. This would allow the Market and its stakeholders to fully consider EII design alternatives before the IMO make a final and formal decision.

Progressing the EII through the formal rule change process ensures the above issues are sufficiently considered and addressed. However, System Management notes that this may not align with certain timeframes under the Federal Government's Carbon Pricing Mechanism.

Timelines

The IMO's consultation paper states that for an index to be published by July 2012, participants would be required to provide data by the end of May 2012 at the latest.

The development of the EII informally under these timeframes precludes any permanent physical changes being made to the SCADA system (if required) given other competing priorities relating to the commencement of the Competitive Balancing and Load Following Market on 1 July 2012.

However, it may be possible for System Management to develop a temporary interface to its existing SCADA data streams (if the current SCADA data streams are not sufficient) as a pilot in the short term but does not recommend that systems or processes be built around such a temporary solution, as a future permanent solution is unlikely to share the same architecture. Responsibilities for data cleansing to ensure the consistency and completeness of the data would also need to rest with the IMO under such a temporary arrangement, given System Management's other competing priorities.

System Management therefore reiterates that it be consulted throughout the design phase on any implementation requirements so that it may thoroughly consider and plan for these.

We look forward to an opportunity for discussing these issues further and working with the IMO on these matters as required.

Yours sincerely



Phil Kelloway
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