



Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) Options Paper - *National Electricity Amendment (Generator ramp rates and dispatch inflexibility in bidding) Rule 2014*.

The Energy Markets and Programs Division (the Division) of South Australia's Department of State Development made a submission to the AEMC's Consultation Paper in March 2014 which supported the Australian Energy Regulator's (AER) rule change proposal. The Division noted the AER's concerns that the use of ramp rates and dispatch inflexibility profiles reduces the effectiveness of interconnectors and the ability for the Australian Energy Market Operator (AEMO) to determine an efficient dispatch and maintain system security.

In our assessment of the two options presented in the Option Paper, the Division noted the AER's submission to the draft rule determination in which the AER provided analysis that showed that the draft rule could reduce the minimum available aggregate ramp rate capacity in South Australia (and Tasmania) which had the potential to increase price volatility.

The Division has concerns with the adoption of Option 1 of the Option Paper. From Table 3.1 of the Options Paper, the AEMC indicate that while the minimum ramp rate requirements for a number of aggregated generators may increase, the minimum ramp rate requirements for units that are less than 300 MW may decrease, and therefore there will be a net decrease in the aggregate minimum ramp rate in South Australia, Tasmania and Queensland. In South Australia the aggregate minimum ramp rate would reduce to 56MW/min compared to 57MW/min under the preferred draft rule determination and 61MW/min under the current rules. In South Australia, with substantial wind energy investment having attracted 41 per cent of the nation's installed capacity, any reduction in ramping capability results in greater price volatility as wind generation can significantly reduce the commitment of conventional thermal generation.



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State Development

On the other hand, Option 2 of the Options Paper, which retains the existing rule requirements for non-aggregated generators but proposes to apply minimum ramp rates to individual physical units that make up the aggregated generators, would increase the aggregate minimum ramp rate capability in South Australia to 80MW as demonstrated by table 3.1 of the Options Paper. Tasmania and Queensland would also see increases under this option.

In addition, Option 2 is representative of Approach A of the AER's alternative approaches in Appendix A of its rule change request<sup>1</sup>. While this approach was not the AER's preferred option, the AER did provide that it would reduce the prevalence of counter price flows resulting from disorderly bidding.

Accordingly, the Division supports Option 2 as the preferred approach. This option represents an incremental improvement from the existing arrangements and increases the minimum ramp rate capabilities for aggregated generators in all regions.

Should you have any questions in relation to this submission, please contact Rebecca Knights, Director Energy Markets on 08 8204 1715.

Yours sincerely

**VINCE DUFFY**  
**EXECUTIVE DIRECTOR,**  
**ENERGY MARKETS AND PROGRAMS DIVISION**  
**RESOURCES AND ENERGY GROUP**

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<sup>1</sup> AER, Rule Change Request – Requirement for ramp rates and dispatch inflexibility profiles to reflect technical capabilities, Appendix A, page 21