24 July 2017

Mr John Pierce
Chair
Australian Energy Market Commission

Submission via electronic lodgement

Dear Mr Pierce

RE: Draft Rule Determination National Electricity Amendment (Non-scheduled generation and load in central dispatch)

This submission is in response to the AEMC's "Draft Rule Determination National Electricity Amendment (Non-scheduled generation and load in central dispatch) Rule 2017". ASMC is the peak body for sugar milling, facilitating a forum for pre-competitive collaboration across its membership. ASMC supports the AEMC draft determination.

We believe that the trend for distributed generation, particularly associated with energy productivity in industrial plants, is fundamental to "efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity" (National Electricity Objective) in Australia. It is important that the operation and management of the National Electricity Market as enunciated in the Rules supports this future aspect of the NEO and does not impose unnecessary costs and inefficiencies on the distributed generation sector.

We support the distinction drawn by the Draft Determination statement between dispatch demand forecasts and dispatch prices. The AEMC analysis identifies that the demand forecasts are generally accurate at dispatch. ASMC members are part of the generator group, identified by the AEMC, who produce electricity as a by-product of their industrial process (sugar production). These operations are driven by wider objectives of energy productivity and reduction in CO2 through replacing fossil fuel generation. This is fundamental to achieving the NEO in terms of the characteristics of both long term supply and the national electricity system. This generation supports the security of the system by providing inertia, support for the local networks (generally rural systems) and well as energy. The technology used by the sugar industry in generation is mature, well understood, easy to effectively model, and predictable based on historic behaviour and performance. This enhances the reliability of AEMO forecasts as well as the security of the system.

ASMC supports the AEMC position that a requirement for generation above 5MW to be scheduled would impose costs on the sugar mill co-generation plants that would put at risk the investment model that attempts to earn an income – over which the generators have no influence – based on trying to improve the utilisation and productivity of the energy available as a by-product of the sugar production process. An increase in implementation and operating costs would probably make such investments unviable and would not materially improve demand and price forecasting according to AEMC. A loss of generation from the sugar sector would not support achieving the NEO.

ABN: 44 010 779 496 Australian Sugar Milling Council
IBM Building Level 3 / 348 Edward St Brisbane GPO Box 945 Brisbane Qld 4001 Australia
P +61 7 3231 5000 F +61 7 3229 2113 E asmc@asmc.com.au
www.asmc.com.au

ASMC supports AEMC's recommendation that AEMO should continue to improve its forecasting model. ASMC believes it is important for AEMO to use its current powers to require a specific market participant to participate in central dispatch where this is required for system security rather than imposing additional processes and increased costs on the whole sector. The use of these current powers therefore would be on a specific network location basis not on a classification or sub-group of generators. This should not become a standardised practice because it will discourage investment in small generation without delivering value as identified in the AEMC paper.

ASMC agrees with the AEMC report that technology change is likely to increase the amount of small generation in the market and AEMC believes this is consistent with the NEO as energy productivity becomes more important and valuable to the economy. There is potentially a requirement to change the arrangement to manage both system operations (security / reliability) and market management. This needs to happen in a way that does not discourage more distributed generation for the benefit of the NEO.

The AEMC review highlights that there is volatility between the pre-dispatch price and dispatch price. ASMC supports the AEMC position that the published pre-dispatch price is not a forecast but a statement of the current outcome of the bids into the dispatch system and the information is intended to drive a response from the market which may / inevitably result in a dispatch price different to the predispatch price. We also believe that the price forecasts in pre-dispatch are there as signals for market response/behaviour and therefore are not predictions of dispatch outcomes.

In summary, ASMC agrees with AEMC that the materiality of the issue raised by the Rule Change proponents is insufficient to warrant changes. ASMC also believes that the focus on improving the AEMO forecasting tools when combined with the growth and geographic spread of distributed generation sector will allow the supply sector to deliver energy efficiently, and on a reliable basis as required to satisfy the NEO.

Yours sincerely

Dominic V Nolan
Chief Executive Officer