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Your Ref: ERC0165  
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5 February 2015

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

Dear Mr Pierce

**Re: Submission on National Electricity Amendment - Generator ramp rates and dispatch inflexibility in bidding (Options Paper)**

The AER welcomes the opportunity to respond to the AEMC's Options Paper on the Rule change in respect of generator ramp rates and dispatch inflexibility in bidding.

In the event that neither our rule change proposal nor the AEMC's draft rule is adopted, on balance, we support Option 2 over Option 1. Option 2 would extend the current rules (the lower of 3 MW/min, or 3 per cent of maximum capacity for generators below 100 MW) to each individual unit in an aggregated unit.

Option 2 would deliver higher minimum aggregate ramp rate capability in all regions (indeed significant improvements in New South Wales and Victoria) than the current rules, the draft rule and Option 1, as shown in Table 3.1 which sets out an example of minimum ramp rate requirements in the Options Paper. The AER considers that extending the current rules to individual units in an aggregated unit would help to relieve the problems associated with disorderly bidding by providing AEMO with access to higher ramp rate capability during periods of network congestion.

Importantly, the AER also considers that Option 2 would help mitigate the potential for price volatility resulting from limited ramping capability and the need for AEMO to more actively manage that capability particularly in South Australia and Tasmania (which may have resulted from the AEMC's more preferable draft rule (AEMC's draft rule), as discussed below).

Under Option 1, maximum availability would be used to approximate the relative reduction in capability of an aggregated generator arising through a decrease in the number of individual


physical units online. Although this would be somewhat aligned with our original proposal (i.e. it recognises the physical ramping capability of the generator), it would be somewhat difficult for the AER to apply (especially when compared to Option 2 and the current rules).

In addition, according to Table 3.1 in the Options Paper, adopting Option 1 would result in a reduction in minimum aggregate ramp rates compared to the current rules in Queensland, South Australia and Tasmania, and only a slight improvement in New South Wales and Victoria. It is, therefore, unlikely to successfully mitigate the problem of aggregated generators employing the bidding strategy of rapidly reducing ramp rate to their commercial advantage.

In conclusion, on the assumption that the AEMC chooses not to adopt our original proposal or the AEMC's draft rule in its Final Decision, the AER supports Option 2 over Option 1 and maintaining the status quo.

We would be pleased to provide further assistance to the AEMC as required. If you would like to discuss any aspect of this submission please contact Peter Adams, Acting General Manager, Wholesale Markets, on (03) 9290 1465.

Yours sincerely



Paula Conboy  
Chair  
Australian Energy Regulator