

CS Energy response to Options Paper

National Electricity Amendment (Generator ramp rates and dispatch inflexibility in bidding)

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Introduction

CS Energy thanks the Australian Energy Market Commission (AEMC) for the opportunity to respond to the Options Paper on ramp rates and dispatch inflexibility in bidding. We have interpreted the options presented as being:

1. Minimum ramp rates **lower** than **1%** of maximum capacity or **3MW/minimum**. For aggregated units, **lower** of 3MW/min to individual physical units or one per cent of aggregate available capacity; or
2. Current arrangements, but for aggregated units, the requirement would apply to each individual physical unit.

Note: We will refer to the Australian Energy Regulator's (AER) proposal as the "*Proposed Rule*" and the AEMC's previous Draft Determination as the "*AEMC's Preferable Rule*".

Our view

We believe the AEMC has put forward two options that are superior to the *Proposed Rule*, and further improve upon the *AEMC's Preferable Rule* in the draft determination.

We had previously commented that the *AEMC's Preferable Rule* may not satisfy the National Electricity Objective (NEO) as well as the existing Rules. It was our view the Draft Determination's *Preferable Rule* was seeking to solve a particular symptom (the rebidding of ramp rates by aggregated units) caused by a different problem (the introduction of transmission outages). We expected the *AEMC's Preferable Rule* to result in unintended consequences because it would apply in all instances to all participants and required more ramping from units.

For example, the *Proposed Rule* and the *AEMC's Preferable Rule* could have made it easier for the network monopolies to impose poorly timed outages on the market. This is because generators could not express what it is costing them and would not be reflected in dispatch prices. This was a particular problem with the *Proposed Rule* but remained with the *AEMC's Preferable Rule*.

Our preferred option

We are supportive of the AEMC for refraining from making the Determination and putting forward the two options in the consultation paper. The *Preferable Rule's* problems have been resolved by the development of Option 2, which is equivalent to the existing Rules, yet with specific requirements for aggregated units.

Subject to minor revision, CS Energy supports the AEMC's Option 2.

Option 1

We believe Option 2 is superior to Option 1. Option 1 aims to introduce some form of “proportionality” to the provision of ramp rates across all units. CS Energy does not see there is any requirement for ramp rates to be “proportional” to unit size, as we believe proportionality this is not the problem in hand. The problem is the introduction of transmission outages and resultant rebidding of ramp rates by aggregated units.

Option 2

Option 2 is commensurate to the problem, which is not lack of ramp rate per se, but the lack of ramping from aggregated units at times of transmission constraints, which can result in negative residues across an interconnector. Option 2 solves the real problem at hand, which was highlighted by the NGF and CS Energy in previous responses to the AEMC, but is otherwise similar to the existing Rules.

We believe Option 2 can be improved, because it may require too great a ramp rate from aggregated units, should some of the physical units be unavailable. We consider this to be a drafting issue with Option 2 that could be resolved by referring to ‘Available Capacity’ instead of ‘Maximum Capacity’ for aggregated units.