



5 February 2015

Sebastian Henry
Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235
Submitted via AEMC website – ERC0165

Dear Sebastian,

RE: Options paper on generator ramp rates and dispatch inflexibility rebidding

Stanwell welcomes the opportunity to provide additional comment in relation to the Australian Energy Markets Commission's (AEMC or Commission) rule change process regarding generator ramp rates and dispatch inflexibility rebidding (Options paper).

As stated in our response to the Draft Determination, Stanwell supports the Commission's view that the AER's proposal to require generators to provide their maximum technical ramp rate at all times is inappropriate and unworkable.

Despite this, Stanwell had significant concerns regarding the practical applicability of the Commission's proposed More Preferential Rule Change (MPRC). We welcome the Commission's recognition in the Options paper that the market is a representation of the physical electricity system and that the market design needs to reflect this. The proposal to move away from the MPRC approach is therefore welcome.

The Options paper proposes two alternative methodologies for the specification of minimum ramp rates, both focussing on the application of the Rules to aggregated units. Each of the options combines the use of fixed (maximum of 3MW/min) and variable (1% of availability or 3% of maximum capacity) calculations for determining the minimum ramp rate. Each option also allows for the generator to provide the lower of these two methodologies.

Stanwell does not consider that the current ramp rate requirements compromise system security or have a significant impact on market efficiency. Accordingly, we recommend that no change be made to the existing arrangements. This is particularly so as the proposed approaches retain the use of arbitrary values, differential application between participants and distortions to investment incentives.

In Stanwell's response to the Draft Determination we proposed an alternative methodology which provided an increase to the total provision of minimum ramp rates and which also had the advantage of requiring minimal change to existing systems. We have not received any feedback from the Commission as to their evaluation of Stanwell's methodology and we continue to consider it to be superior to either of the proposed options.

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Option 1

Option 1 appears likely to be supported by aggregated units as the lower sliding calculation offsets the risk of a calculation based on the number of physical units regardless of whether they are in service. However this option produces a reduction in aggregate regional minimum ramping capability for three of the five NEM regions. This is a poor outcome.

While the Commission has attempted to dispel the risk of decreasing ramp rates in South Australia and Tasmania, the rationale appears inconsistent with the basis of the rule change - that the current minimum ramp rates lead to undue inefficiency. This is especially relevant for South Australia given the possibility of a decrease in synchronous generation in that State. In Tasmania, while Hydro Tasmania provide a number of security services under the current arrangements, it seems incongruous for the Commission to rely on a participant's "good will" to manage security and efficiency outcomes.

Stanwell also believes that the regional aggregate ramp rates presented in table 3.1 of the options paper are inconsistent with the likely provision of ramp rates, particularly for South Australia. It appears that the Commission has assumed that units will be available at their Maximum Capacity, however units are unlikely to be available above their (generally lower) Registered Capacity in most circumstances. In South Australia there are 8 units for which this is a material distinction. This means that South Australian generators would provide 48MW of minimum ramping capability rather than 56MW as presented¹. This is a 21% decrease against the current ramping capability (much greater than the 8% decrease presented by the Commission). The same concern can be applied to other states, with somewhat less significant results.

Option 2

Option 2 provides an increase in the minimum ramp rate provision in each region and, compared to Option 1, appears more consistent with the rationale for the rule change as well as the Commission's views on economic efficiency. It also requires less change from the current arrangements. A small change from the current arrangements is appropriate given the small size of the design "problem". However, Option 2 is likely to create an onerous burden on large plant with a large number of aggregated units.

For both options there appears to be a significant reliance on a small number of participants providing increased minimum ramp rates in each region. For example, only 8 DUIDs under option 1, and 20 under option 2, are required to increase their minimum ramp rates. By comparison, under option 1, between 57² and 72³ DUIDs could provide decreased minimum ramp rates.

¹ Assuming full availability in both calculations. We note that the analysis appears to include the mothballed Playford units.

² Calculated using Maximum Capacity

³ Calculated using Registered Capacity

Summary

Stanwell does not consider that the current arrangements compromise system security or have a detrimental effect on market efficiency. Accordingly, we recommend that no change be made to the calculation of minimum ramp rates.

If the current rules are considered not to provide adequate outcomes during the small percentage of dispatch intervals which are affected by both network and ramp rate constraints, Stanwell considers that option 1 is unlikely to improve this situation. While option 2 may address the Commission's concern, we consider that it is likely to place a disproportionate burden on a small number of large, aggregated sites. As such, we consider that both options are weaker than current arrangements.

If retaining the current rules is considered to be unacceptable, we encourage the Commission to consider other options for increasing ramping capability. The solution presented in the Stanwell response to the Draft Determination provides a better outcome than either of the options proposed. We also note that allowing aggregated units to provide ramp rates based on their availability (as per option 1) could also be applied to Stanwell's proposal.

Thank you for your consideration of Stanwell's response to the options paper. If you would like to discuss any aspect of this submission, please contact me on 07 3228 4529.

Regards



Luke Van Boeckel
Manager Regulatory Strategy
Energy Trading and Commercial Strategy