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Sebastien Henry
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



By online submission

5 February 2015

Project ERC0165

Dear Mr Henry,

Options Paper: Generator Ramp Rates and Dispatch Inflexibility in Bidding

AGL Energy Ltd (**AGL**) welcomes 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 (Options Paper)*.

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas, solar and biomass. Accordingly, AGL supports the promotion of a ramp rate and dispatch inflexibility framework which facilitates system security and the efficient dispatch of generation in the National Electricity Market (**NEM**).

As noted in our submission to the Draft Rule Determination, AGL agrees with the AEMC's finding that the rule change proposal as formulated by the proponent is not warranted and, if implemented, would:

- impose an undue administrative and operational burden;
- lead to compliance uncertainty given the many factors influencing a safe 'maximum technical ramp rate' at a point in time;
- introduce significant operational and maintenance costs as a result of a requirement to always run plant at the technical maximum ramp rate; and
- potentially create a disincentive to invest in flexible generating plant.

Although the AEMC's preferred draft rule would have performed better against some of these measures, it also had the potential to impose substantial operating and maintenance costs on thermal generating plant not suited to sustaining the alternative proposed minimum ramp rate and could potentially compromise plant availability. It would be necessary to develop a standing technical exemption process to make the alternative rule practically workable. AGL was also concerned that the alternative rule would have reduced ramping capability in South Australia and Tasmania – regions with high wind penetration and most requiring responsive plant to accommodate sudden changes in local output – while increasing ramping capability in regions least likely to experience system security issues.

AGL therefore welcomes the AEMC's consideration of two alternative options for modifying minimum ramp rate requirements. In AGL's view option 2 is the more preferable since it

increases ramping capability available to the NEM *in all regions* thereby extending the set of feasible dispatch solutions and potentially improving dispatch efficiency and system security. It also applies ramping obligations far more consistently and proportionally between aggregated and non-aggregated units as compared to the current rules. Further, it is a rule that is relatively simple to apply from an administrative perspective and therefore limits uncertainty in generator compliance.



AGL does not support option 1 as it would result in a greater reduction in ramping capability in South Australia and Tasmania than the draft rule determination, as well as reduce ramping capability in Queensland. As already noted, we do not consider it prudent to reduce ramping capability in regions with high wind penetration and associated production volatility and unpredictability, as this is where a fast response from generators is likely to be most needed for system security and reliability. Further, these are all terminus regions joined into the NEM via interconnectors with a single other state. This renders them particularly vulnerable to system security issues should a constraint or outage at the relevant interconnectors isolate them from the rest of the NEM. South Australia and Queensland are also characterised by high solar PV penetration so that ramping capability may be increasingly important to manage associated variability and more pronounced changes in demand coinciding with the operational cycle of such installations.

Accordingly, AGL considers that implementing option 1 would be counter to, rather than advance, the National Electricity Objective and does not support it. If option 2 is not pursued, then retaining the status quo would be preferable to implementing option 1.

We note that option 1 incorporates a specific mechanism to accommodate changes in unit availability, whereas option 2 does not explicitly do so. The reasons for this difference are not entirely clear. However, we assume that under option 2, impacts from unit availability would continue to be managed by the existing process under rule 3.8.3A which allows a generator to provide a 'brief, verifiable and specific reason' for a lower ramp rate where physical or safety reasons prevent the usual minimum from being achieved. We ask that the AEMC confirm this in its final rule determination.

Should you have any questions in relation to this submission please contact Eleanor McCracken-Hewson, Wholesale Market Advisor, on (03) 8633 7252 or at ehewson@agl.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Duncan MacKinnon', with a long, sweeping flourish extending to the right.

Duncan MacKinnon

Manager Wholesale Markets Regulation