

Generator ramp rates and dispatch inflexibility in bidding

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The AER's rule change request

- Intended to address alleged inefficient market outcomes resulting from the incentives generators have to rebid ramp rates and dispatch inflexibility profiles at times of network constraints.
- Requires generators to submit ramp rates and dispatch inflexibility profiles that reflect the technical capabilities of generating plant at all times.
- Further clarity on the practical operation and enforcement of the rule would be contained in amendments to the Rebidding and Technical Parameters Guideline.

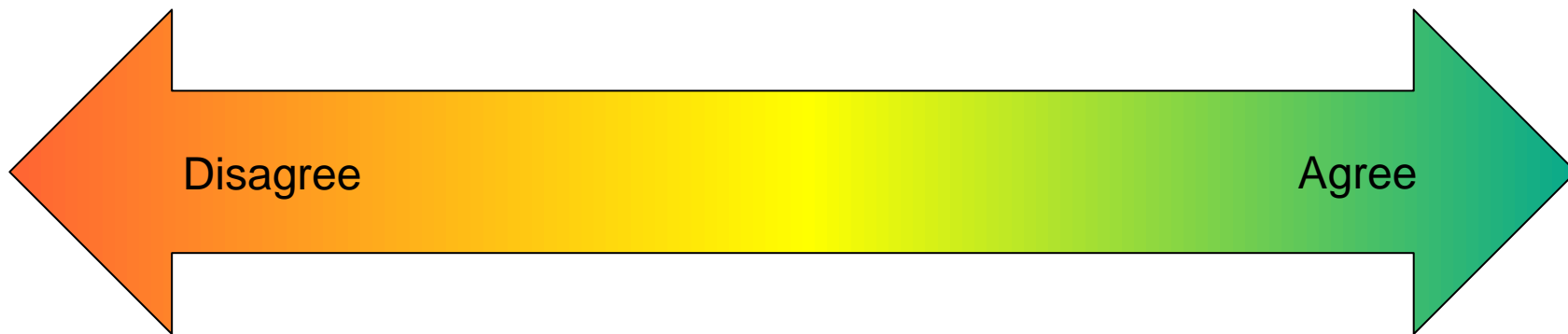
AEMC proposed assessment framework

- AEMC consultation paper set out our proposed assessment framework, which made a distinction in costs proposed by the AER:
 - directly attributable – efficient management of system security and effectiveness of interconnectors.
 - other costs – productive inefficiencies and higher spot price volatility and unpredictability.
- Distinction is driven by priority afforded to ramp rates and dispatch inflexibility in the market dispatch process.

AEMC proposed assessment framework

- Key considerations include:
 - the determination and enforcement of ramp rates and dispatch inflexibility;
 - benefits that the current rules provide to generators in the management of dispatch risk;
 - the trade-off between ramp rate capability and costs incurred; and
 - the risk that any new requirements may lead generators to pursue similar commercial objectives through different means.

Is there a problem that needs to be addressed?



Snowy Hydro

NGF

Origin Energy

Alinta
Energy

GDF
Suez

AGL

Arrow
Energy

AER

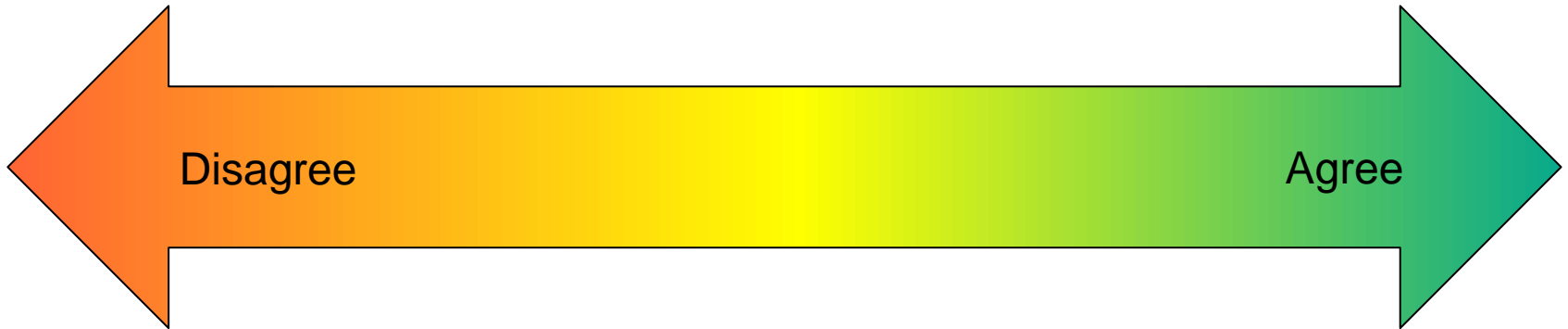
SA Govt

MEU

SACOSS

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Does the proposed rule best address the problem?



Snowy Hydro

NGF

Origin
Energy

AGL

Arrow
Energy

GDF
Suez

Macquarie
Generation

Alinta
Energy

InterGen

AER

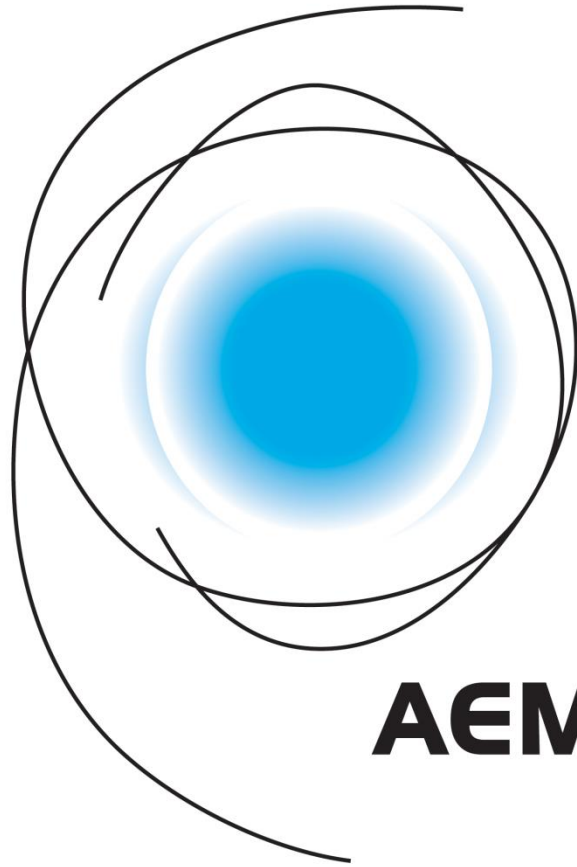
SA Govt

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Examples of options raised by stakeholders

- Separate the bidding of ramp rates from the energy bid to allow for an explicit market signal for ramp rate capability.
- Determine a baseline ramp rate that is not the technical maximum but can be achieved under all normal operating circumstances.
- Apply existing 3 MW/min minimum ramp rate to individual physical generating units instead of aggregated units.



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