NATIONAL GENERATORS FORUM

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

submissions@aemc.gov.au

Dear Dr Tamblyn

Ramp Rates, Market Ancillary Service Offers, and Dispatch Inflexibility

Thank you for the opportunity to comment further on this Rule change proposal made by the AER.

Proposed Change to the Draft Rule Determination

The NGF considers the Draft Rule Determination 3.8.3A(b)(1)(ii) unnecessarily favours larger units without providing a justifiable benefit to system security.

Further, the Draft Rule does not consider the legitimate efficiency reasons for using aggregate generator units. The current Draft Rule would erode the efficiency benefits of using aggregate generator unit in the first instance.

In order to preserve neutrality with different generator size and preserve the efficiency of using aggregate generator units the NGF proposes that 3.8.3A(b)(1)(ii) be altered as follows:

"The lower of 3MW/minute or 1% of the *available capacity* in the case of a *scheduled generating unit …….*with a lower bound of 1MW/minute"

Insert an additional clause (iii)

"1% of the *available capacity* in the case of Aggregate Generator units*…….*with a lower bound of 1MW/minute"

If the AEMC deems that this ramp rate capability is insufficient then the NGF suggests that the 1% be increased to an acceptable level.

Reason for the Proposed Change

The observed requirement to increase the minimum ramp rate is predominantly due to large units, historically using ramp rates as little as 0.2% of registered capacity.

However under the proposed minimum ramp rates larger generators will receive a more favourable outcome under this Draft Determination. The consequences are:

1. Inequity, as smaller generators carry a greater share of the ramp rate in proportion to their generation;
2. Inefficiency, as smaller generator units will suffer greater degradation of plant which in the long term will result in lower system reliability and is therefore not in the long term interest of consumers.

To highlight the inequity of the current Rule proposal, consider the following example of two competitors behind a binding constraint:

- Competitor A has 1 generator unit of 300MW, Competitor B has 3 sets of 100MW units (both have the same overall capacity)
- Ramp down obligations
  - Competitor A = 3MW/minute
  - Competitor B (3%) = 3MW/minute
- Resultant reduction in dispatch (for the next 5 minute dispatch interval):
  - Competitor A = 3MW * 5 minutes = -15 MW
  - Competitor B = 3 units * 3MW * 5 minutes = -45MW
- Difference in dispatch = 30MW
  - If the Spot price was $10,000 for the dispatch period, Competitor B is disadvantaged by $25,000 per dispatch interval.

Under the proposed percentage of 1%, Competitor B would not be at a disadvantage.

If you have any questions, please contact the undersigned on 02 6243 5120.

Yours faithfully

John Boshier
Executive Director