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**ENERGY MARKETS and
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Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
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AEMC reference:ERC0165

Dear Mr Pierce

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) *National Electricity Amendment (Generator ramp rates and dispatch inflexibility in bidding) Rule 2014 – Consultation Paper*.

The Energy Markets and Programs Division (the Division) of the Department for Manufacturing, Innovation, Trade, Resources and Energy considers it important that the Rules provide incentives for the market to deliver efficient outcomes.

The Division notes the Australian Energy Regulator's (AER) concerns that the use of ramp rates and dispatch inflexibility profiles have reduced the effectiveness of interconnectors and the ability for the Australian Energy Market Operator (AEMO) to determine an efficient dispatch and maintain system security.

The Division notes that the rebidding of ramp rates by generators under constraint conditions may compromise the security of the national electricity system in instances where network constraint conditions have been violated.

Whilst the current National Electricity Rules (NER) provide for a minimum ramp rate, it is important to acknowledge that it was determined arbitrarily by reviewing previous bidding behaviour to address the fact that the lack of restrictions on scheduled generators to rebid ramp rates undermined the ability of (then) NEMMCO to manage system security in an economically optimal fashion. While improving on the previous situation, the arbitrary 3 MW/min limit has no technical basis and still results in unintended outcomes.

In this context, the Division supports an alignment of the NER related to ramp rates and dispatch inflexibility profiles with the current treatment of other technical parameters in the rules, such as frequency control ancillary services parameters, which must reflect the technical capabilities of the plant.

Therefore the Division supports the AER's 'Generator ramp rates and dispatch inflexibility in bidding' rule change proposal and considers it appropriate that generators are required to submit ramp rates and dispatch inflexibility profiles that reflect the technical capabilities of generating plant at all times.

A clear example is Snowy Hydro's Tumut facility which for most of the time has a ramp down rate in the order of 30 MW/min, however, its offer is often 200 MW/min. This means it can ramp down from maximum output to zero in less than 10 minutes. However, if it reoffers its ramp rate to 3 MW/min it would take 10 hours to ramp down to zero output. As stated by the AER in its rule change proposal, this demonstrates how generators can use ramp rates (a technical parameter) to avoid volume risk from high prices for their commercial advantage. Clearly this is inconsistent with the objective of an efficient dispatch where the least cost generation is used to meet demand, thereby being inconsistent with the national energy objective.

The Division supports the AEMC's consideration that the assessment should place a greater weight on the costs that may be more specifically attributed to the issue of rebidding ramp rates and changes to dispatch inflexibility profiles, particularly the risks to system security, in order to determine justification for making the rule change proposal. As you have identified in your Consultation Paper, the South Australian Government has provided the AEMC with a rule change request relating to the good faith bidding provisions in the National Electricity Rules. This will assess the potential inefficient costs associated with all forms of generator bidding and rebidding, including where the rebidding of ramp rates may be a contributing or supporting factor but which is not necessarily the principal or underlying cause.

Should you have any questions in relation to this submission, please contact Rebecca Knights, Director Energy Markets on 08 8204 1715.

Yours sincerely



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