5 February 2015

Mr John Pierce
Commissioner
Australian Energy Market Commission
PO Box A2449
Sydney South 1235

Submitted online: www.aemc.gov.au

Dear Mr Pierce

ERC0165 – Generator ramp rates and dispatch inflexibility in bidding

Origin Energy (Origin) welcomes the opportunity to provide comments to the Australian Energy Market Commission (AEMC) Options Paper on generator ramp rates and dispatch inflexibility in bidding. We appreciate the AEMC's decision to include an additional step in the consultation process to consider the concerns raised by Origin and other stakeholders regarding the previous Draft Determination.

The challenge for the AEMC is to develop a rule for minimum ramping that minimises any potentially perverse outcomes for stakeholders or the dispatch process. In particular once issues around system security have been accounted for, an important principle in contemplating any minimum ramping requirement is that it does not place a disproportionate burden on any generator irrespective of size or registration profile. The Draft Determination did not achieve this objective as some large thermal generators would struggle to comply with a minimum ramp rate of one percent of maximum capacity.

Of the two alternatives set out in the Options Paper, Origin considers that option one better balances the aforementioned principle through more equitable treatment of smaller and larger generators as well as aggregated and disaggregated units. Under option one the minimum ramp rate would be the lower of one percent of maximum capacity or 3MW/minute. For aggregated units the requirement would be the lower of 3MW/minute applied to individual physical units or one per cent of aggregated available capacity.

Basing the ramping requirement on aggregate available capacity (for physical units in an aggregated system) is also an important distinction from the draft determination - which would require minimum ramping based on maximum capacity. A minimum ramping requirement based on aggregated available capacity has the practical advantage of applying a ramp rate reflecting availability based on technical factors, for example, ambient conditions, rather than registered capacity that may assume the units are operating under a number of specified conditions which may not be reflective of actual operating conditions.

Option one in our view also provides a proportionate response to some of the issues raised in the original rule change proposal in that it more appropriately incorporates aggregated units into the ramping framework when compared to the status quo. Under the current arrangements it could be argued that aggregated units are not required to provide a high enough level of minimum ramping. Option one is preferable in that the minimum ramp rate would be the lower of 3MW/minute or one percent of aggregated available capacity.

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We do not consider option two appropriately apportions a ramping requirement between individually registered and aggregated units. Applying the existing requirement, as the lower of 3 percent or 3MW/minute, to individual physical units in an aggregated system disproportionately imposes a ramping requirement on aggregated systems. This could have potentially perverse outcomes, particularly for combined cycle generators, though requiring the units to operate at a high level of operational performance degrading the reliability of the units over time.

Should you have any questions or wish to discuss this information further, please contact Ashley Kemp on (02) 9503 5061 or ashley.kemp@originenergy.com.au.

Yours sincerely,

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