



Australian Energy Market Commission

SECTION 108A REPORT

**Generator ramp rates and dispatch inflexibility
in bidding**

Rule Proponent

Australian Energy Regulator

19 February 2015

**RULE
CHANGE**

Purpose of report

The Australian Energy Market Commission (AEMC or Commission) is required under section 108A of the National Electricity Law (NEL) to publicly report on rules not made within 12 months of the publication of the notification of the commencement of the rule change process.

This report relates to the *Generator ramp rates and dispatch inflexibility in bidding* rule change request which is expected to be completed approximately 13 months from the date that the AEMC formally initiated the rule change process.

Background

On 13 February 2014, the AEMC commenced consultation on a rule change request submitted by the Australian Energy Regulator (AER) proposing a requirement for generator ramp rates and dispatch inflexibility profiles to reflect the technical capabilities of generating plant. The AER's proposal reflected its concerns that, at times, generators use ramp rates to achieve commercial outcomes that can lead to inefficiencies in the wholesale market and in the management of system security.

On 28 August 2014, the Commission made a draft determination to make a more preferable draft rule following its consideration of the AER's rule change request. This reflected the Commission's view that a change as extensive as that proposed by the AER might not be warranted, and its concerns that the proposed rule might be difficult to apply in practice. However, in examining and consulting on the rule change request, the Commission concluded that the existing provisions governing ramp rates might risk distorting competitive market outcomes and investment signals. The Commission's more preferable draft rule therefore sought to refine the current arrangements to address this issue.

The Commission's more preferable draft rule required that ramp rates provided by scheduled and semi-scheduled generators should be at least one per cent of maximum generation capacity per minute. Such revised requirements would be applied consistently and proportionately, regardless of generator size, plant configuration or technology type.

In light of issues raised by stakeholders regarding the practical implementation of the more preferable draft rule, the AEMC published a paper on 18 December 2014 seeking stakeholders' comments on a number of additional options to address the AER's rule change request.

The Commission is currently assessing these options alongside the proposed rule and the more preferable draft rule, and against the possibility of not making a rule, which is always an option open to the Commission.

Reason for the final rule determination not being made within 12 months

The final rule determination on the *Generator ramp rates and dispatch inflexibility in bidding* rule change request was not made within 12 months of the publication of the initiation of the rule request notice under section 95 of the NEL as a result of the detailed and complex nature of the rule change request and the additional round of consultation that was undertaken.

It was identified at the time of commencement that the rule change request raised a number of complex issues and that the proposed rule had the potential to materially impact the operation of a number of market participants. Given the substantive nature of the issues, the Commission anticipated a high level of interest from stakeholders and determined that detailed analysis and a thorough consultation process, including a public forum, would be required compared to the standard rule change process under the NEL. As such, the Commission considered that an extension to the standard statutory timeframe would be necessary to ensure the Commission's assessment of the rule change request was robust and would promote an outcome that was consistent with, and would contribute to, the achievement of the National Electricity Objective.

On 28 August 2014, in accordance with the extended statutory timeframe, the Commission published a draft determination on the rule change request. On the whole, submissions to the draft determination were supportive of the Commission's more preferable draft rule in principle. However, some stakeholders provided evidence that compliance with the more preferable draft rule might not be practicable for some participants, particularly certain large thermal generating units. A number of stakeholders also suggested that the more preferable draft rule might lead to disproportionate or perverse outcomes in the specific case of aggregated units, as a ramp rate requirement of one per cent of the maximum capacity of the aggregated unit may not be achievable unless sufficient physical units are online at the time.

On 20 November 2014, the AEMC extended the period of time for publication of the final rule determination. The Commission considered the extension necessary in light of the complex issues raised in submissions to the draft rule determination, particularly its potential impact on large thermal generating units. The new information received in submissions represented a material change in circumstances, and it was appropriate to allow for additional time to fully consider the issues and publish an additional paper to assist with a further stage of consultation with stakeholders.

Time for making final rule determination

The Commission intends to publish a final determination on the rule change request by 19 March 2015.