



Semi-scheduled generator dispatch obligations

Final determination and final rule

On 11 March 2021 the Australian Energy Market Commission (AEMC or Commission) made a final determination and final rule regarding semi-scheduled generator dispatch obligations. The final rule requires semi-scheduled generators to meet a dispatch level in all dispatch intervals, subject to the availability of their natural resource. The final rule implements one of the ESB's interim security measures that aim to improve outcomes, while more fundamental reforms are designed and implemented through the ESB's 2025 market design process. The final rule comes into effect on 12 April 2021.

The Commission's final determination and rule

The Commission has published a final determination and rule to amend semi-scheduled generator dispatch obligations in response to a rule change request submitted by the Australian Energy Regulator (AER).¹

The key features of the Commission's final determination and rule are:

- A semi-scheduled generator is required to comply with a MW dispatch level, contained in a dispatch instruction, for all dispatch intervals.
- A semi-scheduled generator is considered to have complied with the dispatch level in its dispatch instruction, if:
 - it only varies from the dispatch level as a result of energy source availability, and
 - in the case of a 'semi-dispatch interval' does not exceed the dispatch level regardless of its energy source availability.²

The effect of the final rule is to require semi-scheduled generating units to follow their available resource except during a semi dispatch interval, when output must also be limited to the cap specified by the Australian Energy Market Operator (AEMO).

The final rule addresses risks to system security and market efficiency from semi-scheduled generators curtailing generation in response to market prices without first informing AEMO and waiting for an updated dispatch instruction. The Commission considers its final determination and rule is in the long term interest of consumers as it will promote a secure power system at lowest cost, enhance market efficiency, enhance technology neutrality, and provide enhanced regulatory certainty.

The Commission's final determination is consistent with its draft determination and the AER's rule change request, with some amendments to the drafting to better implement the policy intent of the rule change.

Background

On 24 September 2020, the AER made a request to the AEMC to make a rule regarding semi-scheduled generator dispatch obligations. The rule change request proposed to clarify that the output of a semi-scheduled generating system must follow the MW dispatch target specified by AEMO. The AER's rule change request included flexibility to account for semi-scheduled generator energy source availability:

¹ A semi-scheduled generator in the NEM is one with a rating of 30 MW or greater where the output of the generating unit is intermittent.

² During a semi-dispatch interval AEMO constrains a semi-scheduled generator's output to be below its resource availability. A semi-dispatch interval occurs due to a binding constraint or where the offers made by a semi-scheduled generator make its dispatch uneconomic.

- During non-semi dispatch intervals semi-scheduled generators would be able to generate above and below the target, where the deviation is due to natural resource variability.
- During a semi-dispatch interval, the generator output should be the lower of the generator's output cap specified by AEMO, and the generator's output as determined by its resource availability in that dispatch interval.

The AER's rule change request followed an observation that some semi-scheduled generators have been departing from their dispatch instructions to an extent far in excess of plausible variations in their resource, and unrelated to existing exceptions provided for in the rules. These generators rapidly reduced their output to zero during negative price dispatch intervals without an instruction from AEMO or valid rebid. The rules as drafted prior to the publication of this final determination and rule did not prevent semi-scheduled generators from engaging in such behaviour.

The AER identified significant emerging system security implications from this behaviour, and considered its rule change request to be in the long-term interest of consumers as it "enhances security of the supply of electricity and reduces the cost for services dispatched by AEMO to manage power system security, particularly as penetrations on intermittent generation in the NEM increase."

The Commission fast tracked the rule change request as the AER undertook significant consultation on the nature and content of the rule change request before submitting it to the Commission. A fast-tracked rule change progresses directly to a draft determination without publication of a consultation paper.

This rule change actions one of the ESB's recommended interim security measures that aim to improve outcomes while more fundamental reforms are designed and implemented through the ESB's 2025 market design process, of which the AEMC is a part.

Implementation

The substantive changes in the Commission's final rule commence on Monday 12 April 2021 to allow time for affected parties to make relevant changes to systems and processes.

The final determination also includes a transitional provision which requires AEMO to amend any relevant power system operating procedure to take into account the rule change.

For information contact:

Director, **Jackie Biro** 02 8296 0606

Advisor, **Graham Mills** 02 8296 0636

Media: Media and Content Manager, Kellie Bisset 0438 490 041

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