

17th June 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submission sent electronically to:
submissions@aemc.gov.au

Dear Dr Tamblyn,

**Submission to – Rule Change Proposal
Ramp Rates, Market Ancillary Service Offers, and Dispatch Inflexibility**

Snowy Hydro supports the AER's proposed rule change. We believe the rule change will aid NEMMCO in maintaining system security and promote competitive market outcomes. Our submission focuses on ramp rates.

Ramp Rates

Snowy Hydro supports the minimum ramp rate concept for all scheduled generators unless the generator can justify to NEMMCO a lower rate for practical/technical reasons.

Snowy Hydro's internal analysis of minimum ramp rates supports the AER's analysis¹ that, "for 2007 shows that all except for a handful of generators bid at 3MW/min or greater most of the time". This is a commercially offered minimum ramp rate from the majority of scheduled generators which strongly suggests that this ramp rate does not cause undue wear and tear on plant. We also note NEMMCO's view that this minimum ramp rate should accommodate the vast majority of system security issues that may arise in the NEM.

Where a generator notifies NEMMCO of a ramp rate which is less than the proposed minimum of 3MW/minute we believe this generator should be subjected to an audit by the AER.

We agree with the AER conclusion that the alternative approaches of physical parameter and the two tiered parameter approach disadvantages generators with faster ramp rates thereby providing these generators with strong incentives to reduce their ramp rate capability. We believe this would be a perverse but commercially inevitable outcome which would be contrary to achieving the NEM objective.

¹ AER, 21 April 2008, Request for rule changes – technical parameters, page 7.

Conclusion

Snowy Hydro supports the AER's proposed rule change. We support the proposal that all scheduled generators must have a minimum ramp rate of 3 MW / minute unless there is a practical / technical reason.

Please contact Kevin Ly, Manager Market and Regulatory Strategy on (02) 9278 1862 if you would like to discuss the issues outlined in this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Roger Whitby', is written over a light blue rectangular background.

Roger Whitby
Executive Officer, Trading

