

19 June 2008

Liza Carver  
Acting Chairperson  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Email: [submissions@amec.gov.au](mailto:submissions@amec.gov.au)

Dear Ms Carver,


**Ramp Rates, Market Ancillary Service Offers, and Dispatch Inflexibility**

Delta Electricity appreciates the opportunity to comment on this Rule change proposal made by the AER. This submission relates both to the application of a minimum ramp rate of 3 MW/min and interpretation of the proposed revisions relating to Market Ancillary Service offers and rebids.

While Delta acknowledges the issues identified by the AER, Delta is of the view that these measures are not in strict alignment with the overall NEM objective of market efficiency and adoption of the proposed rule change, as proposed, would force sub-optimal economic results.

If you have any questions in relation to the comment provided by Delta Electricity please do not hesitate to call Mr. Frank Elsworth on (02) 9285 2706.

Yours faithfully,



Tim Baker  
General Manager / Marketing



## **Delta Electricity Submission**

### **Amendments To Rule Change Proposal For Submitting Offers Containing Ramp Rates Under 3 MW/Min And Market Ancillary Service Offers.**

#### **1. Background**

This submission seeks to modify the AER's proposed rule change currently before the AEMC. While at first glance the proposed rule change appears reasonable there are some subtle negative implications that deserve closer consideration. This submission reviews those implications and proposes further amendments to the rule change.

#### **2. Market Efficiency**

The NEM objective principle (as stated in the National Electricity Law) has a foundation of maximising long-term operational efficiency.


The application of the AER's proposed rule change to base-load plant is expected to have little practical impact. Base-load plant, operating at maximum output 24 hours a day, has little need to ramp up or down. However the situation is quite different for mid-merit plant.

For mid-merit plant ramping production up and down (and hence price setting) is a routine role. In the case of ageing mid-merit plant, such as Munmorah Power Station, its contribution to ramping (price setting) has been managed by limiting its ramp rate (often below 3 MW/min). While technically these units can exceed 3 MW/min, lower ramp rates have been used under normal operating conditions to deliver the lowest operating cost as measured over the remaining life of the asset, which is reflected in the competitiveness of its dispatch offer. Occasionally, higher ramp rates are applied to manage abnormal plant conditions.

Lower ramp rates generally provide less thermal stress on boiler components and reduce over-firing and the subsequent risk of further damage over the life of the asset. These issues become more critical with older plant and even more critical, under the proposed rule change with mid-merit plant.

Long-term operational efficiency would be reduced if the AER's proposed rule change, as it currently stands, is adopted which may result in some ageing mid-merit plant removing themselves from price setting by bidding into higher priced bid bands. This will lead to a reduction in the level of competition when the market clears at lower demand levels (e.g. probably 90% of the time).

The market will be more efficient if it has some units participating in price setting at less than 3 MW/min than if it has none. As the proposed rule currently stands this is the choice for most ageing mid-merit plants.



Delta recognises the issues the AER is addressing through the proposed rule change and suggests the following amendments outlined below.

**3. Proposed revisions to the AER's rule change relating to ramp rates under 3 MW/min**

In order to take into account the operational conditions of ageing mid-merit plant in an attempt to maximise long-term operational efficiency Delta proposes the following additional changes.

**a. Proposed new clause 3.8.3A(d)**

**The purpose of clause is to:**

- I. allow a Scheduled Generator, Market Customer, or Market Network Service Provider to bid a operationally efficient ramp rate that may be less than 3MW/min; and
- II. provide the most operationally efficient dispatch solution for the NEM.

**Proposed new clause**

*(d) A Scheduled Generator, Market Customer, or Market Network Service Provider after obtaining approval from NEMMCO may provide a ramp rate to which this clause 3.8.3A applies that is less than 3 MW/min if the ramp rate is necessitated by operating conditions that prevent the relevant generating unit from maintaining a ramp rate of at least 3 MW/min.*

**b. Proposed revision to clause 3.8.3A (e)**

**Purpose**

If a Scheduled Generator, Market Customer or Market Network Service Provider has permission from NEMMCO to provide a bid with a ramp rate of less than 3MW/min as a result of operational conditions then there is no need for that participant to provide NEMMCO with a brief, verifiable and specific reason why the ramp rate is below 3MW/min.



### Proposed revised clause

In order to ensure consistency with Delta's proposed changes to the AER's proposed clause 3.8.3A(d) above it is necessary to amend the obligations under the AER's proposed clause 3.8.3A (e). Delta's proposed revised clause is as follows:

*(f) Where a Scheduled Generator, Market Customer or Market Network Service Provider provides a ramp rate to which this clause 3.8.3A applies that is less than 3 MW/min, it must simultaneously provide NEMMCO with a brief, verifiable and specific reason why the ramp rate is below 3 MW/min, unless:*

*(1) The Scheduled Generator, Market Customer, or Market Network Service Provider has prior written approval by NEMMCO in order to submit a ramp rate than is less than 3 MW/min (see 3.8.3A (d) (3) above).*

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#### 4. Proposed revisions to the AER's rule change relating to market ancillary service offers

In principal Delta agrees with the AER's proposed revisions to market ancillary service offers. Delta seeks clarification of the definition of "technical characteristics" referred to in proposed clauses 3.8.7A(l) and 3.8.7A(m).

The proposed rule change states that when an Ancillary Service Provider submits a market ancillary offer or re-bid, the offer or re-bid must represent the "technical characteristics" of the ancillary service generating unit. Generating unit's FCAS capability can vary from its technical performance standard as a result of changing plant conditions. Delta interprets "technical characteristics" as taking into account the range of normal plant operating conditions.

Delta would welcome a clarification of the intent of these two proposed rules and confirm that "technical characteristics" does not equate to maximum performance capability as defined in the relevant performance standard, but rather "technical characteristics" at the time of dispatch.

#### 5. Summary

Delta acknowledges the issues identified by the AER, however as stated initially in this submission. Delta believes the rule change proposal of a minimum ramp rate fails to account for the negative implications on long-term operational efficiency. Delta also seeks clarification of the interpretation of "technical characteristics" as referred to in proposed clauses 3.8.7A(l) and 3.8.7A(m).