



Lvl 11, 60 Marcus Clarke St.,  
postal: GPO Box 1301  
Canberra ACT 2601  
ABN 83 113 331 623

Tel: 02 6243 5120  
Fax: 02 6243 5143  
john.boshier@ngf.com.au  
www.ngf.com.au

19 June 2008

Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

[submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear Dr Tamblyn

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

Thank you for the opportunity to comment on this Rule change proposal made by the AER.

The NGF appreciates the concerns that have led the AER to propose this set of Rule changes, and does not oppose the substance of the changes. This NGF submission has two parts –

- First, we consider the context within which these particular proposals arose and suggest that the Commission should consider the underlying cause of the symptoms that the AER has identified, and
- Second, we make several drafting suggestions, aimed at improving consistency both within the Rules and between the Rules and the actual market implementation.

### **1. The common context of issues raised by the AER**

There is a common context for the different issues that have led the AER to propose this set of Rule changes. This common thread is that generators were faced with strong incentives to procure dispatch outcomes different from those that the central dispatch process would reach in the circumstances (in the absence of the conduct that the AER has highlighted).

The Rules that the AER is now seeking to change all appear to have been drafted on the implicit assumption that participants will wish to be dispatched in accordance with their market offers or bids. This may appear a natural assumption given the discretion that participants have to structure offers and bids as desired and further the opportunities that they have to change offers or bids when market circumstances have changed.

However, this assumption breaks down when there is a significant mismatch between the market dispatch process and the market settlement process, as now applies in the presence of transmission network congestion.

Thus each of the issues identified by the AER is a symptom of the distorted incentives that apply when dispatch and settlement are not sufficiently aligned to give efficient incentives. The proposals by the AER treat these symptoms, and we do not oppose this, but they do not treat the underlying cause of the issues identified.

We further note that the remedies proposed by the AER have (a) a significant arbitrary component in the application of a specific ramp rate of 3 MW/minute, and (b) a requirement for intrusive regulatory action in relation to ensuring that FCAS parameters represent physical plant limitations.

These aspects are not noted as a criticism of the AER. The NGF believes that the AER felt constrained to propose remedies only for the symptoms and not for the underlying issue. Having accepted this limitation, then the use of arbitrary and intrusive measures will, in many cases, become unavoidable. The NGF is sympathetic to the difficulties faced by the AER in operating under this perceived constraint.

The NGF recommends that the Commission, in addition to considering these remedies in their own right, also re-considers the case for addressing the underlying cause.

## **2. Drafting suggestions**

### **Proposed requirement for unsafe offers**

The proposed new provision 3.8.3A(d) reads –

(d) 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 3MW/min, it must provide a *ramp rate* that is at least the maximum the relevant *generating unit, scheduled load or scheduled network service* can safely attain at that *time*.

This provision must operate in the context of the NEMMCO data entry process, which currently limits ramp rates to integer numbers of MW/min. Thus, as drafted this would force a participant that had determined that the greatest safe ramp rate was, say 1.1 MW/min to instead offer 2 MW/min, clearly a significantly unsafe rate. We believe that the intention would be better expressed as follows -

(d) 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 3MW/min, it must provide a *ramp rate* that is the largest that may be offered that is not more than the maximum the relevant *generating unit, scheduled load or scheduled network service* can safely attain at that *time*.

This drafting would work in a satisfactory way with the current NEMMCO data entry restriction, and would not need to be changed if the current data entry limitation were altered by NEMMCO in the future.

### **Recognition in the Rules of simplification of ramp rates**

As the AER has noted in their proposal, the current market implementation by NEMMCO calls for participants to provide a single ramp rate for increases and another single ramp rate for reductions.

This is a simplification relative to the physical situation where many circumstances may alter the achievable ramp rate. For example the achievable rate may depend on the direction of change, the range of output in question, or the history of prior output changes.

To the extent that these real impacts are not represented in the offer structure, participants will need to use either conservative ramp rate offers or re-bidding to deal with them. Hence the degree of simplification imposed on participant's offers or bids is a market design issue.

Furthermore, in the market as implemented, ramp rates are in fact required separately for each trading interval, but again this design choice is not represented in the Rules.

We do not propose any change to these design choices, but suggest that the choices that are now in place should be represented accurately and clearly in the Rules. The Rules currently give certain impressions on these matters that are inconsistent with the market as implemented.

For example, we suggest that the proposed change to 3.8.4(c)(4) should be replaced with –  
(4) a ramp rate for increases and a ramp rate for decreases in each trading interval

Similar change should apply to 3.8.4(d)(3), 3.8.4(e)(2), 3.8.6(b)(3), 3.8.6A(b)(2), 3.8.7(c)(2).

### **Correction of an apparent typographical error**

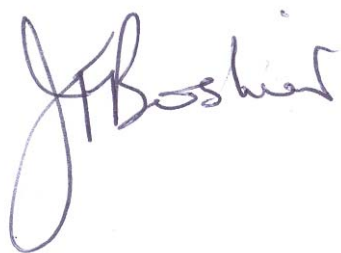
The AER proposed amendment of 3.8.22A(a) uses the term "*available capacity*" in italicized form, thus referring to the defined term in Chapter 10.

In contrast, the term "available capacity" in the related clause 3.8.22 (b), even after the changes proposed by the AER, does not have this term italicized.

This appears to be an error, and we propose that it be corrected.

If you have any questions, please contact the undersigned on 02 6243 5120.

Yours faithfully

A handwritten signature in blue ink that reads "John Boshier". The signature is written in a cursive style with a large, looped initial "J".

John Boshier  
Executive Director

