



Sun Metals Corporation Pty Ltd ABN 97 074 241 982
1 Zinc Avenue, Stuart
Townsville Queensland 4811 Australia
PMB10 Townsville MC, Queensland 4810
Telephone: +61 7 4726 6666
Facsimile: +61 7 4726 6300
Email: administration.contact@sunmetals.com.au
Web: www.sunmetals.com.au

17 July, 2017

Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

Non-scheduled generation and load in central dispatch

This submission is in response to the AEMC's "Draft Rule Determination National Electricity Amendment (Non-scheduled generation and load in central dispatch) Rule 2017".

Sun Metals Corporation (Sun Metals) is a market participant in the wholesale market and has been since 2004.

Sun Metals supports the AEMC draft determination.

There is an important distinction to be maintained between the commercial operation of the energy market and the obligations to maintain security of supply. Sun Metals supports the AEMC position that the provision of data / information for system operations and security is different to the obligations of a scheduled load.

Sun Metals agrees that AEMO has considerable existing powers to require a specific market participant to provide additional information or even participate in central dispatch where this is required for system security. The use of these current powers therefore would be on a specific network location basis not on a classification / group basis – loads over 30MW.

Sun Metals notes that the EY study identified that there was no observable relationship with spot price responsive behaviour in the majority of dispatch intervals with large forecast inaccuracy. This seems to be evidence that the issue is more with the forecast algorithm rather than lack of information. Sun Metals supports AEMO focusing on upgrading its forecast algorithm to deal more accurately with the behaviour of multiple small generation and demand response contributors.

A focus on improving the AEMO forecasting tools when combined with the likely geographic spread and size of distributed generation and demand response will allow energy to be delivered in an efficient and reliable basis required to satisfy the National Electricity Objective (NEO).

Given the lack of evidence that forcing loads to be scheduled would provide a substantial benefit to demand and price forecasting 'accuracy' Sun Metals does not believe there is benefit to the NEO in forcing loads to be scheduled.

Sun Metals acknowledges the outcome of the review of >\$5,000 reports prepared by the AER. The primary cause was identified as the actions of scheduled generators in bidding

and rebidding their prices and generation quantities. This is a more material issue than the reaction of the small number of loads that are responsive to market prices to manage the costs of production of their products.

It is noted that the pre-dispatch price forecasts are to guide market responses. The change in price between pre-dispatch and then dispatch are driven largely by the bidding of the generators rather than the behaviour of loads. This distortion is encouraged by the lack of alignment between settlement prices and dispatch prices. Sun Metals believes that the demand response to prices will be more predictable and hence more likely to result in efficient allocation of supply demand balance by aligning the dispatch and settlement prices and this is far more effective than any marginal accuracy in forecasts from forcing loads to participate in dispatch.

In summary Sun Metals agrees with AEMC that the materiality of the issue raised by the Rule Change proponents is insufficient to warrant changes.

A handwritten signature in black ink, appearing to read 'Yun Choi', with a long horizontal flourish extending to the right.

Yun Choi
Chief Executive Officer