



Semi scheduled rule change

Proposal update

August 2020

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The Australian Energy Regulator (AER) was pleased to receive so many submissions to its issues paper regarding options for changes to semi scheduled generators market operation.

This paper is intended to provide interested parties with an update on the current status of the AER's semi scheduled rule change review and present a revised preferred option prior to the development of a rule change request to the Australian Energy Market Commission (AEMC). The AER is providing this update to further facilitate discussion prior to developing our final position and making a rule change submission to the AEMC.

The AER is providing an additional opportunity for comments on this revised preferred option by 1 September 2020 email [wholesaleperformance@aer.gov.au](mailto:wholesaleperformance@ aer.gov.au).

Revised preferred option

Based on feedback received in the submissions, but without compromising the intention of the request for a rule change, the AER considers that the majority of the desired outcome could be achieved by formalising the assumption made in 2005 when the category was created, that semi scheduled generators would operate to the full availability of the resource when permitted by the power system.

While our preferred option remains that dispatch instructions for semi scheduled generators are a megawatt target based on their forecast capability, rather than cap their output at that level, during non semi dispatch intervals, their output may vary in accordance with their available resource and technical capability (that is move up and down only as the resource changes).

This would operate in concert with the existing rules regarding the imposition of a semi dispatch cap during a semi dispatch interval, the deviation for the protection of plant or personnel and the provision of other system services. It would also include the proposed additional recognition of the resource availability in the dispatch instruction compliance obligations.

Australian Energy Market Operator (AEMO) would then see semi scheduled generators contributing in a manner consistent with the accuracy of their forecast availability and the overall energy production by these generators would not be adversely effected.

Background

The AER recently published an issues paper regarding the requirements for semi scheduled generators following dispatch instructions and received 30 submissions about the potential options proposed.

The issues paper was prompted by a request from COAG EC to develop two rule changes as part of the Interim Security Measures that would support system security and improve reliability in the National Electricity Market (NEM) by:

- Ensuring that semi scheduled generators are obligated to follow their dispatch targets in a similar manner to scheduled generators; and

- Semi scheduled generators be required to continually inform the AEMO of any restrictions on their available capacity due to physical factors, ambient weather conditions and their market intentions.

Key points from the issues paper include:

- Analysis and evidence that some semi scheduled generators have begun to deviate from their forecast output in response to negative prices.
- The impact this behaviour is having on the NEM now, and potentially into the future.
- The benefits of having greater certainty of the output of semi scheduled generation.

The preferred option from the issues paper

The issues paper set out a number of options that would require semi scheduled generators to follow dispatch instructions that more closely aligned with the obligations on scheduled generators.

Short of removing the category altogether which we considered could have unforeseen consequences, the AERs preferred option was that semi scheduled generators would receive and comply with a megawatt dispatch instruction based on forecast resource availability for the end of the 5-minute interval which would automatically incorporate the effect of a cap on output if necessary, and a ramp rate. Given the interdependence between a semi scheduled generators output and the uncertainty of resource, the rules obligation to follow a dispatch instruction would also be adjusted to recognise resource uncertainty.

Stakeholder feedback

The AER received 30 written submissions from interested stakeholders and as part of the AERs consideration of the perspectives presented we also spoke to around 10 participants to discuss their submissions in more detail and where possible understand their supporting analysis.

Some participants highlighted that this is a challenging period and it is difficult to adequately address all of the changes being considered in the NEM at the moment. The AER appreciates that we are working in an intense period of regulatory adjustment and recognises the burden that this places on all participants. It is with this in mind that we have considered ways to minimise any change while still achieving the actions' intended purpose.

While support for the potential preferred option varied in the written stakeholder feedback, the vast majority of submissions, and all of the oral feedback we received, supported stopping the un-forecast generator response to negative prices during an interval that did not correspond with a reduction in their resource.

We also heard, in almost half of the submissions in which there was qualified support that the potential preferred option was overly constraining and would reduce semi-scheduled generator earnings by 2-5% for solar and 1-3% for wind.

While other options were also presented in the submissions the AER considers that the adjusted approach suggested here would achieve the same result but be more readily

incorporated into the existing rules and provides a more certain approach for future industry development.

Next steps

The AER is seeking feedback from interested stakeholders on whether there are any future costs, benefits or issues with the revised proposal not already outlined in original submissions or discussions with the AER. Responses can be sent to Peter Adams, wholesaleperformance@aer.gov.au by 5pm Tuesday 1 September 2020, the AER will publish these responses unless we are notified that they are confidential.

We will finalise our position as soon as is practicable following any additional feedback on this revised approach and submit the rule change proposal to the AEMC.