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Dr John Tamblyn
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By Email: submissions@aemc.gov.au

Dear Dr Tamblyn

DRAFT RULE DETERMINATION
NATIONAL ELECTRICITY AMENDMENT (CENTRAL DISPATCH AND INTEGRATION OF WIND AND OTHER INTERMITTENT GENERATION) RULE 2007

International Power (IPRA) is generally supportive of this proposed Rule change. We recognise the evolving need to occasionally limit the output of wind generators in order to manage system security.

On the other hand, it would undermine confidence in the market for potential investors if new obligations were imposed on existing generating plant.

The transition arrangements proposed by your Commission appear to satisfactorily manage this issue. However, we urge you to monitor the outcome of these arrangements to ensure that the new obligations are imposed only as intended.

There are two particular matters where we propose changes from the draft determination. These are –

- The proposed monopoly in favour of NEMMCO in the forecasting of wind generation, and
- The proposed exclusion of the impact of forecasting on the determination of Regulation Causer-pays factors.

These issues are related, in that the recognition of the actual effect of forecasting on the need for regulation FCAS service would provide an incentive for the improvement of forecasting. This would apply to NEMMCO forecasting, but more particularly would provide a means by which a participant capable of superior forecasting could share in the benefit to the market (albeit in only one component of the benefit).

NEMMCO forecasting monopoly

The new Rule 3.7B, creates a new requirement for NEMMCO to produce forecasts in relation to semi-scheduled generating units.

We support this proposal and expect that the aggregation of data over many wind farms will provide benefits through more accurate forecasts of available output than are currently available. It is likely that there forecasts would be very widely, if not universally, used if participants were able to choose to use them or provide their own forecasts.

However, we do not think that it is necessary, or consistent with the NEM objective, to create a monopoly for NEMMCO in forecasting.

The market Rules should not assume that it is impossible for a participant to provide better forecasts than NEMMCO can, and should allow benefits to the market to be achieved if such better forecasts are available.

Hence we propose that this obligation on NEMMCO should apply only to the extent that a semi-scheduled generator does not choose to provide forecasts.

We do not suggest that any detailed mechanism for the handling of such forecasts needs to be incorporated in the Rules. There need only be provision that NEMMCO must develop a procedure to handle forecasts if it becomes necessary.

Ancillary Service Transactions

We further propose that if a semi-scheduled generator is able to benefit the market through the provision of forecasts that are more accurate than otherwise available, then that generator should be able to share in the benefits that result.

Unfortunately, the current proposal for including semi-scheduled generators in the calculation of contribution factors under the “causer-pays” process excludes such benefit sharing. This is because the proposal is currently to use a reference trajectory based on the ex post determined final output, rather that the forecast output that was included in the dispatch process.

The following discussion deals with the inconsistency between participants due to this proposal and the disconnect between the proposal and the actual causation of demand for the relevant ancillary services, and recommends a change to a consistent principle that the reference trajectory in the “causer-pays” calculation should align with the end-point value in the dispatch process for all participants.

The dispatch process is aimed at an energy balance involving many parameters, some of which are forecast and supplied to the process, and others of which are determined as dispatch targets. Departures from either forecasts or targets have equivalent effects, including -

- Disturbance of supply/demand balance thus placing demands on the regulation FCAS services. Such demands add to the need for dispatch of these services and thus the cost of FCAS,
- Departures of transmission flows from the level implicit by dispatch, which will at times underutilise the transmission capability, or at other times exceed the secure limits to transmission flow. The possibility of such excursions beyond dispatched flows contributes to the need for safety margins in defining transmission limits and hence contributes to under-utilisation of the network.

In relation to scheduled generation or demand, the conformance with targets is monitored and the effect on FCAS costs is measured in the calculation and application of contribution factors, through the “causer pays” calculation.

In contrast, it is proposed in the Rule change that the effect of forecasting errors for Semi-Scheduled Generators be excluded from the causer-pays calculation by using the un-forecast final output in a dispatch interval as the basis for the trajectory within the dispatch interval. This proposal would under-state the contribution of these generators to the need for regulation service and hence shifts the cost burden onto other market participants.

We propose that there should be a common principle applied throughout the causer-pays calculation, namely that the target or forecast in the dispatch process is used to define the reference trajectory. This would allow equal treatment for all factors causing a need for regulation FCAS (ignoring the unrelated issue of the level of aggregation of participants in this calculation).

A further benefit of using the forecast output in the causer-pays calculation is that this allows a participant, who is capable of providing better forecasts than NEMMCO is able to, a means to share a part of the market benefit of that improved forecasting. In contrast, the current proposal does not allow the effects of forecasting to be included and hence gives no incentive for improvement.

If you have any questions in relation to this submission, please contact Ken Secomb on 03 617 8321.

Yours sincerely

Stephen Orr
COMMERCIAL DIRECTOR