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SENT VIA EMAIL

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Response to AER's Issues Paper: Semi Scheduled Generator – Rule Change

Diamond Energy is an active retail and generation Market Participant, and is the Registered Participant for a number of Semi Scheduled, and Non Scheduled, renewable generation currently operating in the NEM. We welcome the opportunity to provide a response to the AER's issue paper released on the 24th June 2020, and to partake in the consult in discussion with the AER regarding these issues. After a review of the issues paper, and reflection upon the broader operations of NEM, we are wanting to raise a few items for the AER's consideration.

1) Control Systems Changes to support fast activating technology

We note recent updates to the AEMO Generator Registration guidelines which state the *“registered ramp rate should not exceed the higher of 20% not exceed the higher of 20% of the unit's maximum capacity (expressed as MW/min), or the sum of the minimum ramp rate requirements for each individual generating unit if the unit is aggregated, even if the plant is physically capable of a higher ramp rate.”*. Our view is that this constrains the capability of fast activating technologies, and limits their potential useability to AEMO should they require fast activating technologies in the future to manage the Power System.

In short, why limit the future by imposing the control systems of the past?

2) Compromise on maximum permissible ramp rates & meeting targets

The current mechanism utilised by the central dispatch system requests “capped” Semi Scheduled Generators to ramp linearly from their INITIALMW to TOTALCLEARED (“target”) across a trading interval, otherwise they are potentially penalised by a higher allocation of Regulated FCAS costs via the Causer Pays Methodology. For fast acting technologies, the requirement to ramp down linearly impedes these technologies from avoiding negative price exposure and creates a disincentive to submit an Energy Offer that might incur a “cap” (and possibly a contributing factor toward some semi scheduled assets offering the “floor” price).

In short, aligned profit incentives would deliver a uniformed operating system.

3) Update of Market Price Floor to **-\$100.00**

We believe that the current Market Price Floor value at (-\$1,000/MWh adjusted for MLF), represents an incentive for assets to reduce output when not “capped”, and bid low into constrained TNI's, should NEMDE solve the Dispatch Price to be the Market Price Floor. If the AER were to consider a “raising” of the Market Price Floor level to say -\$100/MWh (adjusted for MLF), this would remove the incentive for assets to bid low and reduce output, despite resource being maintained. An increase in the Market Price Floor would reduce the magnitude of “cost” for operating in negative priced events, while placing a higher consideration toward the “opportunity cost” lost for assets due to linearly ramping up through a positive priced intervals, which regularly occur after a negative priced interval.

Please do not hesitate to contact me if you wish to discuss the above or related matters further as required.

Regards

Tony Sennitt
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