

24 July 2020

Peter Adams
General Manager, Market Performance
Australian Energy Regulator

Submitted via email: wholesaleperformance@aer.gov.au

Dear Mr Adams

Issues Paper on the Semi scheduled generator rule change(s)

Hydro Tasmania appreciates the opportunity to respond to the Australian Energy Regulator's (AER) Issues Paper on the Semi scheduled generator rule change(s).

Hydro Tasmania is Australia's largest producer of renewable energy, and is an active participant and contributor to the energy market reform agenda. The energy market is undergoing a period of significant transformation through the rapid update of renewable energy sources and the retirement of ageing thermal generation. This transformation is leading energy market bodies and governments to rethink the way the NEM operates to ensure that regulatory frameworks continue to evolve.

The AER is proposing two rule changes to the National Electricity Rules (NER) with the following intent:

1. For semi scheduled generators to be obligated to follow their dispatch targets in a similar manner to scheduled generators; and
2. For semi scheduled generators to be required to inform the Australian Energy Market Operator (AEMO) of any restrictions on their available capacity due to physical factors, ambient weather conditions and their market intentions.

We note that the proposed rule changes have been prompted by emerging system security issues that AEMO faces due to the continued growth of variable renewable resources (VRE). For example, semi-scheduled generation can at times amount to over a third of the instantaneous generation of the power system. At times of high VRE production, price is likely low, incentivising reductions in output. If however, a significant proportion of semi-scheduled generators reduced output, without informing AEMO's dispatch engine through their bids, there is a risk that other generation sources cannot replace this output in time. Similar scenarios can occur due to high FCAS raise prices to which semi-scheduled generators are exposed. Given that FCAS is already settled on a 5 minute basis, it is unlikely that the commencement of 5 minute settlement in 2021 will resolve these issues.

Hydro Tasmania considers that this risk should be addressed and is therefore supportive of the AER's review of the semi-scheduled generator category to ensure the regulatory framework remains fit-for-purpose.

Hydro Tasmania suggests that addressing this risk could be done through making relatively specific changes to the rules that seek to address the circumstances described above, without forcing semi-scheduled generators to follow dispatch targets at all times. The rules could be changed to prohibit semi-scheduled generators from intentionally controlling their plant away from their target, for anything other than urgent operational safety, which cannot wait for the 5 minute rebid and dispatch cycle. Notably, the semi-scheduled plant would not be prohibited from under-delivering due to a natural change in their resource (e.g. weather fluctuations).

Hydro Tasmania supports the ongoing development of low and zero renewable energy resources in the NEM. Changes to market frameworks should not provide additional barriers which would slow the uptake of more renewables. Hydro Tasmania therefore does not support a move to treat wind and solar generators as fully scheduled generators as such a move would be inefficient and likely stifle investment in VRE. Making any necessary changes to the obligations of semi-scheduled participants will help support the continued transition of the energy market including the need to accommodate increasing levels of variability within our system safely and efficiently.

If you would like further information on any aspect of this submission, please contact John Cooper (john.cooper@hydro.com.au or 6240 2261).

Yours sincerely



Gerard Flack
Chief Operations Officer