



24 July 2020

Mr Peter Adams
General Manager, Market Performance
Australian Energy Regulator

Lodged via email: wholesaleperformance@aer.gov.au

Dear Mr Adams,

AER: ISSUES PAPER ON SEMI-SCHEDULED GENERATORS

Origin Energy Limited (Origin) welcomes the opportunity to provide comments to issues paper on semi-scheduled generation prepared by the Australian Energy Regulator.

The AER has identified an issue that should be examined

Semi-scheduled generators adjusting their output in response to market signals without first informing AEMO can undermine the secure operation of the system. This includes an under supply of generation, and potential movements in frequency.

Correlated responses from multiple semi-scheduled generators without first informing the market operator could become a security risk as the quantity of these generators increases. Origin therefore supports the drafting of a rule change request to make semi-scheduled generators output closer to their forecasts.

Dispatch should be based on technical limitations

Semi-scheduled generators face resource uncertainty and therefore should be allowed to dispatch under their target, due to technical limitations, such as fuel or transmission constraints. However, this allowance should not be extended for reasons pertaining to the management of contracted positions.

The AER's rule change request should focus on ensuring semi-scheduled generators are required to generate as close to their bids as they are technically capable of achieving.

In the New Zealand market, there is an obligation for intermittent generators to not generate below their forecast generation potential unless for "bona fide physical reasons."¹ We would support the application of a similar approach to semi-scheduled generation in Australia.

Other options presented by the AER are not supported

The Issues Paper presented other options which we do not consider should be the basis for the rule change request.

Removal of the semi-scheduled generation category

The removal of the semi-scheduled category would be a disproportionate response to the issues raised. If the category is removed, the rules would still need to recognise a way for wind and solar generators to provide bids that reflect the potential for fuel insecurity.

¹ See clause 13.86A of the New Zealand Electricity Industry Participation Code

Amending the causer pay framework

The issues paper outlines concern that the current framework does not provide a clear incentive to discourage the behaviours described. While this may be the case, we agree with the AER's assessment that changes to the causer pays mechanism are likely to be complex and have wider implications for the market. Additionally, obligations under causer pays are likely to be considerably smaller than the value of avoiding negative wholesale prices.

The AEMC has just commenced work on a series of rule changes on system security services including examining the provision of a ramping service, as well as refining the causer pay mechanism to better reflect costs to the system. If the AEMC decides to introduce amendments to the causer pay frameworks or new ramping products this may lead to improved signals, but is not expected to fully resolve the issues identified by the AER.

Requirements on bidding software

Banning the use of automatic bidding software is unlikely to resolve the issues identified. Participants rapidly responding to negative price movements manually would result in slightly less correlation of responses, but with the fundamental problem remaining. Some generators would still be able to quickly respond to market outcomes without informing AEMO of their intent before acting.

Should you have any questions or wish to discuss this submission further, please contact Alex Fattal via email at alex.fattal@originenergy.com.au or phone, on (02) 9375 5640.

Yours sincerely



Steve Reid
Group Manager, Regulatory Policy