

Wholesale Electricity Market Rule Change Proposal Submission

RC_2017_02

Implementation of 30-minute Balancing Gate Closure

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: support@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

1. Please provide your views on the proposal, including any objections or suggested revisions.

The Australian Energy Market Operator (AEMO) welcomes the opportunity to provide a submission to the Rule Change Panel on the Draft Rule Change Report for Rule Change RC_2017_02: Implementation of 30-minute Balancing Gate Closure.

The original Rule Change Proposal, submitted by Perth Energy in April 2017, sought to reduce the current 2-hour Balancing Gate Closure to a period of 30-minutes. Following Perth Energy's submission of the proposal, there have been several discussions between AEMO and the Rule Change Panel (RCP) Support team concerning this rule change, including AEMO's contribution at Market Advisory Committee meetings and workshops.

AEMO's position on the Rule Change Proposal has been that the implementation of a 90-minute Balancing Gate Closure period is achievable without necessitating any material changes. However, a reduction to a 60-minute Balancing Gate Closure would require changes to systems and processes, while a reduction to 30-minutes is infeasible under the existing market design, particularly considering the Energy Transformation Strategy reforms currently underway.

AEMO therefore welcomes the Rule Changes Panel's draft decision to reduce Balancing Gate Closure from 2 hours to 90-minutes, together with the complimentary changes to Synergy's gate closure and LFAS Gate Closure.

AEMO has provided clarification to the RCP Support team on several issues concerning the Balancing Gate Closure timeframe options. The two parties have differing views on some matters, particularly concerning the implementation of a 60-minute Balancing Gate Closure and options to manage the aggregate ramping of non-Balancing Portfolio Facilities under this scenario. While the Draft Rule Change Report discusses these issues, AEMO takes this opportunity to provide its views on some of these matters as follows:

Selectively Constraining Facilities

AEMO has considered the implementation options from a holistic perspective. AEMO's view is that selectively constraining non-Balancing Portfolio Facilities is not an option to address the aggregate ramping issue to implement a reduced Balancing Gate Closure time of 60-minutes. AEMO's reasoning is that such an option does not appear consistent with the intent of the Wholesale Electricity Market (WEM) Rules.

The intent of the WEM Rules would appear to be that options should first be pursued that do not trigger the need to issue Dispatch Instructions Out of Merit. In AEMO's view, this is supported by the dispatch rules specified in clauses 7.6.1C and 7.6.1D. In accordance with these clauses, AEMO should maintain in-merit dispatch as a priority over reverting to Out of Merit Dispatch. A solution that requires selectively constraining specific Facilities promotes Out of Merit Dispatch and therefore is inconsistent with the intent of the WEM Rules. In these circumstances, AEMO's view is that selectively constraining non-Balancing Portfolio Facilities is not an appropriate solution to address the aggregate ramping issue.

Load Following Ancillary Services (LFAS)

AEMO is of the view that LFAS is not a solution to address the aggregate ramping issue. There are two components to AEMO's reasoning as follows:

LFAS requirement: Clause 3.11.1 of the WEM Rules requires AEMO to determine the LFAS requirements in accordance with the SWIS Operating Standards and the LFAS standard. These standards do not expressly require the consideration of instructed generation movements and therefore are not adequate to cover the aggregate ramping issue. For example, the LFAS standard specified in clause 3.10.1 only expressly considers uninstructed movements of generation.

In practice, AEMO derives its LFAS requirement through its analysis of differences in forecast error (being the driver of the LFAS requirement) at different times of the day, where these differences are between forecast and final non-scheduled generation output as well as the difference between demand forecasts and actual demand. The LFAS requirement is set excluding fluctuations from the instructed dispatch of Scheduled Generators, consistent with the LFAS standard, and therefore cannot be set with the intent to cover the aggregate ramping issue.

LFAS Usage: In real-time under the current 2-hour Balancing Gate Closure timeframe, the imbalances that arise due to the aggregate ramping of Facilities during Trading Interval

commencement are managed through the manual dispatch of the Synergy portfolio. The remaining imbalances are managed by LFAS.

AEMO has consistently expressed that under the 60-minute Balancing Gate Closure scenario it will not have the ability to manually schedule Synergy plant ahead of the relevant trading interval to manage the aggregate ramping of non-Synergy plant. This could lead to power system security risks because the LFAS requirement may not be sufficient, given it was not set with regard to instructed plant movements. While AEMO can procure more LFAS where there is a shortfall, it must have regard to the requirements specified in the LFAS standard. This is because clause 3.11.3 of the WEM Rules only considers shortfalls with reference to the applicable Ancillary Service Standard. As noted earlier, the applicable LFAS standard does not cater for instructed generation movements and so AEMO's view is that additional LFAS cannot be procured to cover aggregate ramping issues.

AEMO therefore maintains the view that selectively constraining non-Balancing Portfolio Facilities and additional LFAS are not appropriate options.

2. Please provide an assessment whether the change will better facilitate the achievement of the Wholesale Market Objectives.

AEMO considers that the Rule Change Panel's draft decision for a 90-minute Balancing Gate Closure, together with the complimentary changes to Synergy's gate closure and LFAS gate closure, is achievable with low implementation cost and risk, and would better facilitate the achievement of Wholesale Market Objectives (a), (b), (c) and (d).

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

AEMO has already provided the Rule Change Panel with its implementation assessment as stated in the Addendum to the Draft Rule Change Report.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

AEMO has already provided the Rule Change Panel with its required implementation timeframe as stated in the Addendum to the Draft Rule Change Report.