

# **Generator Offer Procedure & Tie Break Procedure Revision**



**Response to  
Stakeholder  
Submissions**

# 1 Introduction

The revised Generator Offer Procedure (GOP) and Tie Break Procedure (TBP) were been prepared by Power and Water Corporation (Power and Water) in its capacity as the Power System Controller under Section 4.4B (e) of the System Control Technical Code (SCTC). The SCTC requires the Power System Controller to consult with system participants in making or revising these procedures. The revised draft procedures were published on Friday 3<sup>rd</sup> July 2020. Submissions from stakeholders and interested parties on the proposed GOP and TBP are invited by Thursday 23<sup>rd</sup> July 2020. This was extended to Tuesday 28<sup>th</sup> July 2020 at request of Territory Generation (TGen).

Submissions were received from ENI Australia (ENI) and TGen.

Power and Water acknowledges and appreciates the effort of these stakeholders in making submissions on the revised draft Procedures. Power and Water has considered each issue raised in submissions and responded to the specific matters raised by stakeholders in the Section 3 of this document.

# 2 Procedure implementation

The GOP and TBP are now published as Version 2.0 on Power and Water's website.

Given the significant changes to the GOP, the GOP and TBP will not come into effect until Tuesday 29<sup>th</sup> September 2020. Power and Water considers this an appropriate amount of time for current generators to adjust their internal market offer processes and procedures to meet the revised requirements.

### 3 Detailed responses to submissions received

Please note that the words used in Issue/Comment column in the table below are in general our summarised interpretation of the issues raised by stakeholders and are not a verbatim quote from individual submissions. The submissions are available on our website (other than those identified as confidential). The Reference Number (Ref#) in the table is an internal tracking number to ensure all issues have been addressed.

Ref#	Theme	Stakeholder	Issue/Comment	Power and Water Corporation Response
1	Clarification of bands	TGen	Supports the clarification that the band 1 quantity reflect the minimum stable load of the generator based on physical characteristics, and requests Power and Water develop guidelines for determining and auditing the quantities.	Power and Water will investigate the appropriate mechanisms for determining and auditing the technical characteristics during the next Secure System Guidelines and System Control Technical Code review scheduled for late 2020. Generators will have opportunity to provide input during the consultation.
2	Generator offer template	EDL	The utilisation of the 3 different bands according to minimum stable load, minimum stable load up to base capacity, and additional load after manual dispatch action is appropriate for open cycle units, but closed cycle units will have different quantities associated with operational configuration. Requested the offer template be designed to accommodate different configurations.	<p>Power and Water agrees with EDL’s explanation that the quantities for each band will differ depending on the operational configuration of combined cycle units.</p> <p>Market Operator utilises the minimum stable load and base capacity that is formally lodged by a Generator Participant in the Market Registration Standing Data for all its dispatch processes, unless there is an output restriction or constraint in place via a Risk Notice. If a generator is aware of temporary operational changes to these quantities, the process is for the Generator Participant to advise the Power System Controller via lodgement of a Generator Outage/Testing Request (GOTR). If an approved GOTR is in place, the applicable quantities will be used in the dispatch processes.</p> <p>Hence, Power and Water do not consider there to be a need to adjust the template to include all configurations, instead clarify that the quantities on the submitted offer should be submitted to reflect the preferred configuration for the combined cycle units if all the units offered for the market trading day are committed.</p>
3	Offer submission method	TGen	Expressed a preference to transition generator offer submissions from excel format to automatic file transfer.	Power and Water is planning to upgrade market participant interfaces in preparation for a more comprehensive wholesale market implementation as part of the Northern Territory Government’s reform work program. Stakeholders will be consulted on the solution selected prior to implementation.

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4	Generator offer price definitions	EDL	Highlighted that the requirement for the band 2 price to be higher than the band 1 price is not an accurate reflection of the cost to run, rather running cost decreases as output increases. Also highlighted that generators will need to assess what point on their efficiency curve they should determine the price.	These interpretations are noted as accurate. Power and Water considers these to be common limitations in electricity markets that utilise price stack methodology.
5	Short run merit order	TGen	Welcomed the usage of the short run capability, however requested further explanation and consultation on short run being classified as a running time of less than 4 hours.	<p>System Control has elected to maintain the status quo of 4 hours being the classification between set 1 (long run) and set 2 (short run). Though the short run unit commitment has not been in use previously, past operational practice, as evident in the historic published INTEM Market Trading Data, shows 4 hours to be appropriate to cover the use of wet mode or additional generation for system load peaks in the Darwin Katherine Power System. Generators should consider their operating modes when determining their offer prices.</p> <p>Power and Water welcomes procedure change suggestions from market participants. If a generator wishes to propose a change in the future, they can submit the proposed change, accompanied by appropriate justification, to <a href="mailto:marketoperator@powerwater.com.au">marketoperator@powerwater.com.au</a>.</p>
6	Decommitment order	TGen	Supported the introduction of a decommitment order following the evening peak. Requested similar arrangements be put in place following the morning peak.	<p>Power and Water wishes to reduce market inefficiencies wherever possible, but in doing so needs to ensure that this is done in accordance with the intent of the I-NTEM design and functions.</p> <p>The evening peak was selected to allow a smooth transition from one market trading day to the next, by reducing the number of start and stops of machines during this period. Power and Water believes that this change can be implemented with minimal intervention with the market pricing. Whilst introducing a daytime off order would cater for some operational scenarios, it would intervene significantly with the price setting arrangements for the I-NTEM. Power and Water has considered this request, however determined that for the rest of the trading day, it is appropriate for decommitment decisions to be based on offer price.</p>
7	Revised offers	TGen	Opposes the removal of revised offer submissions, suggesting instead that the revised offers be allowed for changes in circumstances.	The revised offer process that allows generators to alter their offers after gate closure was removed in the draft GOP in order to ensure that generators are not able to impact the dispatch outputs of other generators and to allow smooth transition to centralised market arrangements. Any

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			<p>Noted that TGen is likely to be the only generator offering fast start units, and provided the example that should the load be less the Power System Controller's forecast, then TGen would like the ability to alter the dispatch such that a smaller machine be committed.</p>	<p>rules developed must maintain the allowance for generators to elect to offer their own units as either fast start or self-committed for any given trading day. The generator decommitment order and short run merit order introduced in this consultation are two mechanisms introduced to cater for scenarios previously handled via the revised offer process.</p> <p>System Control has experienced difficulty applying effective administrative controls to ensure that the revised offer process is adhered to correctly by generators, particularly out of hours. With an increase of the number of generators, compliance to offer and dispatch processes will be strictly enforced by System Control to ensure transparency and fairness for all parties.</p> <p>Power and Water acknowledges that whilst this is not the most efficient outcome for TGen in the example provided, the requirements to make changes in systems and processes to allow changes in size of generators dispatched, without resulting in a misuse of market powers, is not necessarily the most efficient outcome for customers. Power and Water highlights that the market reform design proposed by the NT Government, and associated directional move to centralised dispatch, will eliminate inefficiencies in this area.</p> <p>Power and Water intend to publish a commitment and dispatch principles document for consultation in October. There is the potential for TGen to provide a proposal for addressing this inefficiency by an alternate method.</p>
8	Default offers	TGen	<p>Requests changes to the procedure to note the current practice that TGen's default offer is considered to be the last submitted offer.</p>	<p>System Control Technical Code Clause 4.4b(c) obliges scheduled generators in the Darwin-Katherine I-NTEM to submit commitment offers on a daily basis. Power and Water expects all generators to comply with this obligation and conceives that the failure to submit a daily offer would only occur on rare occasions such as a telecommunication outage.</p> <p>The GOP requires a Default Offer to be lodged for use in these rare scenarios, and allows generators to submit a revised default offer at any time via email. Power and Water believes that this process appropriately allows generators a mechanism to manage their own default offers.</p>

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9	Out of merit system security commitment	TGen	Notes that the tie break procedure doesn't explain how generating units are selected in the event of system security constraints.	Power and Water considers dispatch considerations for system security to be out of scope for the Tie Break Procedure, however acknowledges the value in publishing this information in a separate form. Power and Water intends to publish a set of I-NTEM Commitment Dispatch principles for consultation in October 2020.