

Consultation Impact Statement



Introduction of I-NTEM Dispatch and Pricing Procedure

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1 Introduction

This consultation paper is intended to inform a consultation on the new I-NTEM Dispatch and Pricing Procedure. It provides a standalone record of Power and Water's practices for discharging its dispatch and pricing obligations under the Power System Controller Licence.

2 Why are we introducing a Dispatch and Pricing Procedure?

The market has to date operated without a Dispatch and Pricing Procedure. The procedure is being introduced because:

- The number of participants in the I-NTEM is increasing and so there is greater need to provide information to participants;
- A number of changes are occurring in response to the Generator Offer and Generating Unit Tie Break procedures updates in November and so there is a need to provide context to participants to assist in preparing their generator offers;
- The Utilities Commission's final decision for the Northern Territory Ring Fencing Code recommended that a dispatch document be developed for the NTEM, Power and Water, in support of this recommendation, has chosen to extend the action for the I-NTEM arrangements.

3 A Guide for Participants

The procedure is intended to provide a guide to participants rather than to be a prescriptive constraint on behaviour. The primary reason for this is that a guide will be beneficial to new and existing participants to better understand the working of the market. This approach reflects that the real time dispatch process is a complex and evolving engineering activity. Should an overly prescriptive document be produced it would become overly complex and require frequent updates.

The procedure lays out:

- The nature of inputs used in the pre-dispatch and dispatch processes.
- The pre-dispatch process, including the various merit orders created and used in that process, and the outputs including some which form inputs for the real-time dispatch;
- An overview of the logic of the real-time dispatch, including how the need for increased generation or decreased generation is addressed moment by moment;
- The process for determining market prices after the event, with this addressing the option that exists under the System Control Technical Code for the publication of this methodology;
- General information on queries and release of information are described.

4 Key points

As the procedure has been developed as a guide and references a variety of other established market documents it is a document that is intended to be understood without requiring a detailed discussion in this consultation document. Therefore, in general, this consultation will rely on stakeholders reviewing the draft procedure and providing feedback on any areas that are unclear or which do not match stakeholder understanding of the market arrangements.

This section does however highlight a number of specific points that Power and Water consider important to bring to the attention of stakeholders.



Interpretation of Short Run and Long Run Offers

The revised Generator Offer Procedure allows a Generator to specify a short run price and a long run price for band 2 for each of its fast start generating units. In pre-dispatch and in dispatching the power system the short run price will be applied when committing a fast start generating unit for not more than 4 hours while the long run price will be applied when committing a fast start generating unit for more than 4 hours.

These different sets of prices exist because Generators must recover start-up costs within their energy offer prices, such that a Generator would be expected to offer a higher price for a short run because it has less time over which to recover its start-up cost.

It is always possible that a generating unit that was initially committed in the expectation that it will run for no more than 4 hours ends up running longer. Equally, a unit committed in the expectation that it will run for more than 4 hours may end up being required to run for less than 4 hours. These outcomes raise the question of what price to use in setting the market price?

The approach taken in the draft procedure is to use the short run price if the generating unit actually runs for less than 4 hours and to use the long run price if the generating unit actually runs for more than 4 hours, irrespective of how long the unit was intended to run for as at the time it was instructed to start. This logic recognises that the offer prices have been formed based on how long that the generating unit runs. It has the added advantage of being a straightforward and simple approach.

Linkages to Other Procedures

Many of the definitions used in the draft procedure are taken from other existing procedures, particularly the Generator Offer Procedure and the Generating Unit Tie Break Procedure. While we have endeavoured to maintain consistency a number of minor changes have been made. Specifically:

- The definition of band 1 and band 2 refers to GOTRs, or generator outage and test requests. However, the term GOTR has been replaced by OTR, or outage and test request in the new System Control Plant Outage Procedure (Version 1, 22 October 2020). We have therefore used OTR in place of GOTR in the draft procedure even though the current Generator Offer Procedure still uses GOTR.
- It was also observed that references to band 1, band 2 and band 3 in the middle of sentences in the Generator Offer Procedure and the Generating Unit Tie Break Procedure has the word “band” starting with a capital “B”. A lower case “b” is more correct and has been used in the draft procedure.

As part of this consultation, Power and Water proposes to issue updated versions of the Generator Offer Procedure and the Generating Unit Tie Break Procedure to apply the conventions above to those procedures to ensure consistency.

5 Consultation Process

This procedure is primarily for information purposes, though it does provide information on the setting of the market price as Power and Water Corporation has the option to publish in accordance with clause 4.8c of the System Control Technical Code.

Consultation will be held over 3 weeks, commencing Wednesday 4th November 2020 and ending 4pm Wednesday 25th November 2020. Submissions from stakeholders and interested parties are invited.

It should be noted that Power and Water will publish submissions in full. Should a stakeholder consider sections of their submission as confidential, a separate public version of the submission should be provided to Power and Water for publication. Stakeholders, please send your submissions and any queries to market.operator@powerwater.com.au.

6 Consultation Questions

Does the procedure provide sufficient detail to inform Generator Participants of how information they submit under other procedures is used in the pre-dispatch, dispatch and pricing processes?

Is the procedure a useful aid for prospective Generator Participants and to help staff of existing Generator Participants to understand the broad operation of the market and dispatch arrangements?

Are there any specific areas of the draft procedure that are difficult to understand or could be improved?

Are there any specific areas of the draft procedure that are in conflict with other documents?