

Bidding in good faith

Rule change request submitted by the South Australian Minister for Mineral Resources and Energy

Overview of submissions on the consultation paper

The views of stakeholders contained within have been categorised on the basis of submissions made on the consultation paper. Statements are attributed to groups of stakeholders and, as such, may not accurately or entirely represent the views of the individual stakeholders listed.

31 July 2014

AEMC

The rule change request

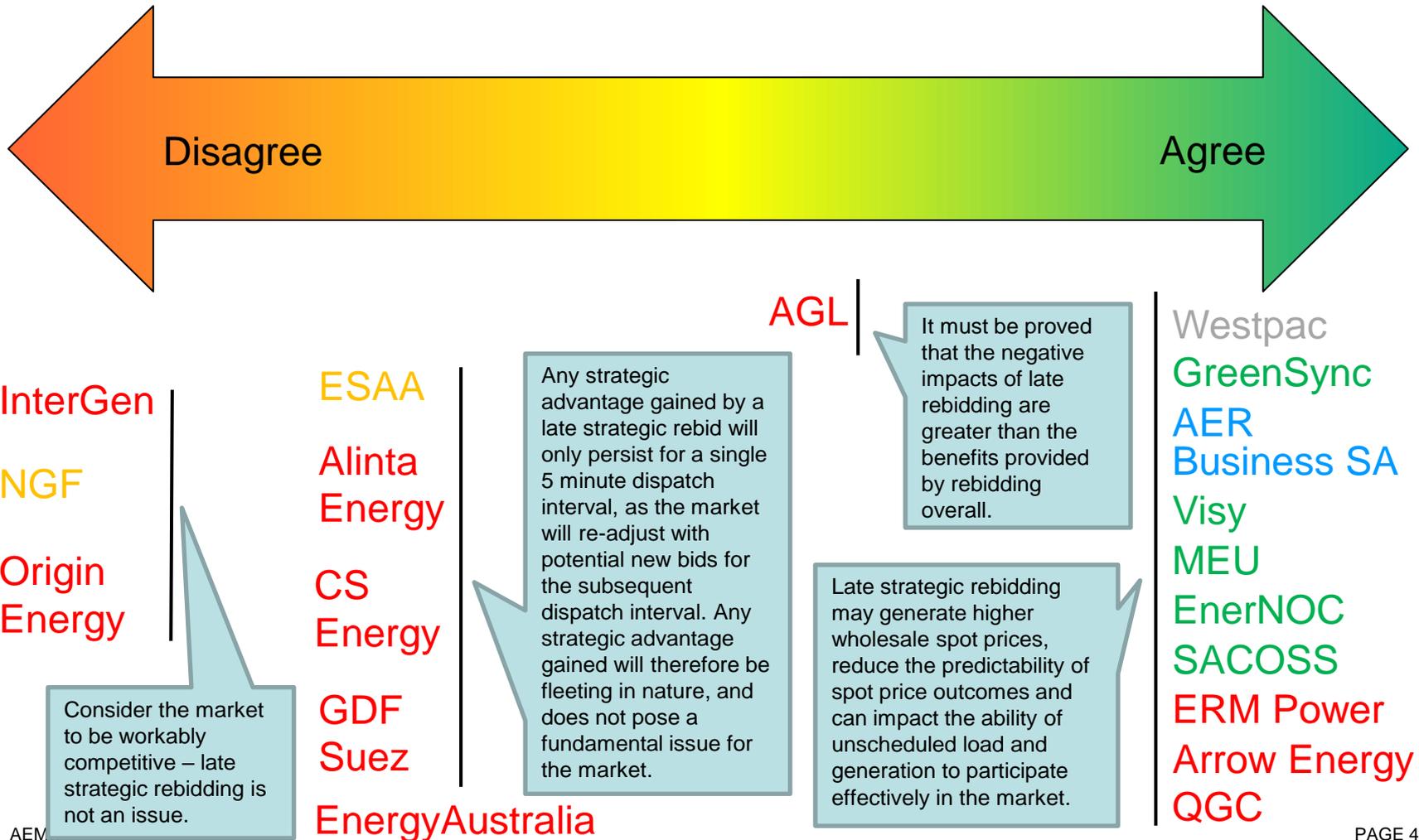
The South Australian Government's rule change request proposes to:

1. recast the good faith provisions in the negative such that generators are required to demonstrate that their rebids have been made in good faith;
2. provide that a generator's variation to a bid or rebid must not be made unless it is in response to a significant and quantifiable change in price, demand or other data published by AEMO, or any other relevant circumstances, and must be made as soon as practicable after the change comes to its attention;
3. provide that the non-fulfilment of a trader's subjective expectation as the result of a rebid is not a change that justifies another rebid;
4. insert a requirement for participants to provide the AER with accurate and complete data and information on request to substantiate compliance; and
5. allow the AER to assess the intention of a participant by having regard to all of the bids and rebids that the participant has substantial control over.

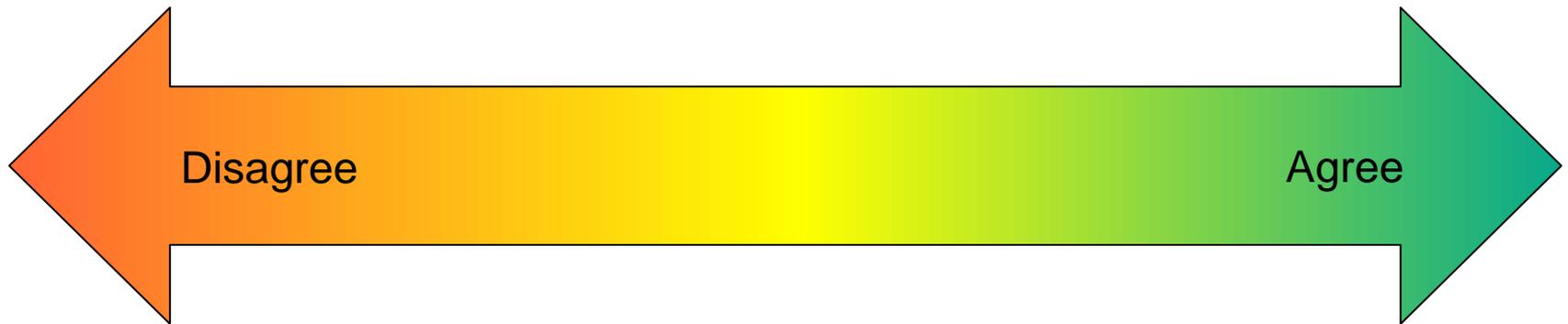
Issues raised by the rule change request

- Inefficient costs of generator rebidding
 - Late rebidding that provides insufficient time for other participants to respond which results in inefficient market outcomes
 - Price unpredictability and unreliability of pre-dispatch that inhibits effective demand side participation, including the effect of 5 minute dispatch and 30 minute settlement
 - Higher hedging costs from price volatility that does not reflect conditions of supply and demand
- Legal implications
 - Stanwell case has created uncertainty with respect to good faith provisions
 - Ability of AER to gather evidence

Is late strategic rebidding a problem that needs to be addressed?



Is the 5 minute dispatch and 30 minute settlement a problem that needs to be addressed?



NGF
CS Energy
EnergyAustralia

Considers the 5/30 issue to be more complex than described and does not support using this rule change request as a basis to address the issue.

Can see the potential inefficiencies created by the 5/30 issue but do not consider it necessary to address the issue at this time.

AGL Macquarie Generation
Alinta Energy
GDF Suez
Arrow Energy

The 5/30 issue is a problem – open to consideration of ways to address the issue.

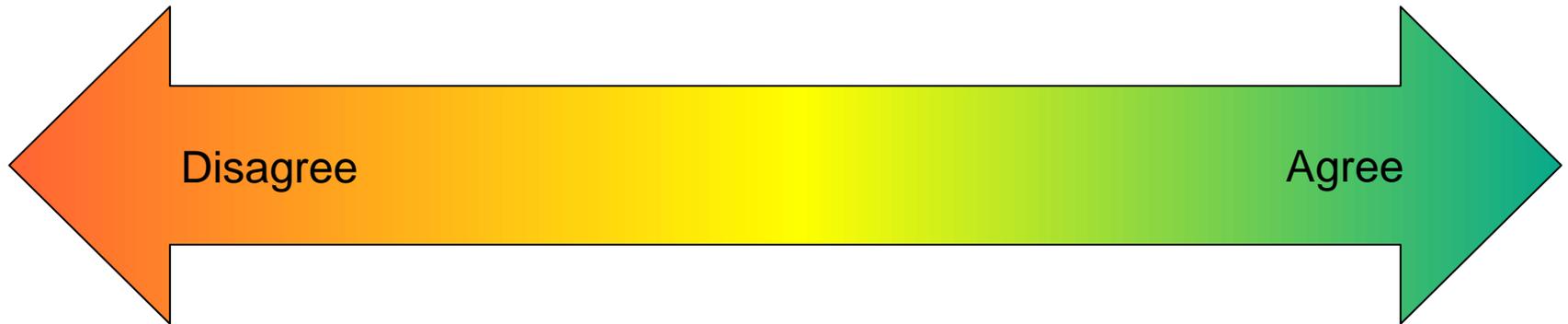
AER

The 5/30 issue is a problem but support good faith changes rather than addressing it through a change to market design.

Westpac
Visy
MEU
EnerNOC
SACOSS

The 5/30 issue directly exacerbates late strategic rebidding and should be addressed.

Recasting the good faith provisions in the negative



Macquarie
 Generation
 InterGen
 CS Energy
 NGF
 Alinta Energy
 GDF Suez
 ESAA
 ERM Power
 AGL
 Arrow Energy
 Origin Energy
 EnergyAustralia
 AEMC

Proposed rule does not define what constitutes a material change but merely shifts the burden of proof to the generator. Generators would need to compile extensive support material for each rebid. Vagueness creates compliance uncertainty and traders may be more wary of submitting rebids. Inconsistent with the objective of light-handed regulation and contrary to the principles of natural justice.

EnerNOC
 Business SA

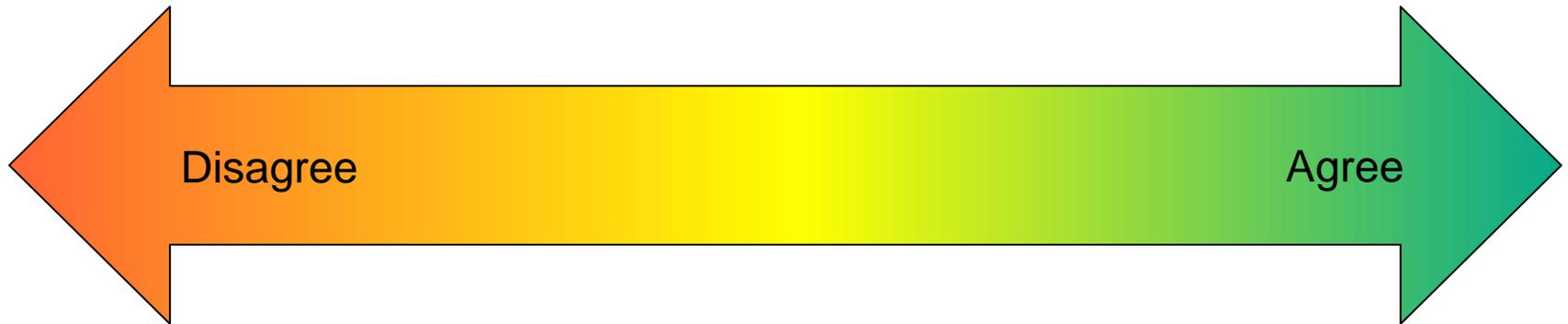
Considers there is a strong case for review but not convinced that the proposed rule is the most efficient option.

Visy

Supports the intent of the rule change request but considers it may not be effective in mitigating all cases of unacceptable behaviour. Would not object to it being implemented.

Westpac
 AER
 MEU
 SACOSS

Rebidding as soon as practicable



Macquarie
Generation
InterGen
NGF
CS Energy
Alinta Energy
GDF Suez
AGL
Arrow Energy
Origin Energy
EnergyAustralia

Impossible to do so in practice. Generator may not seek to rebid when a change in material circumstances becomes known preferring to first wait for confirmation of further events or other triggers. Generators may wish to delay a rebid for further analysis.

ESAA

Participants already have an obligation to notify the time of a rebid so do not see what benefit this would provide.

Westpac

Considers that generators should be able to rebid as soon as practicable but would need to review feasibility.

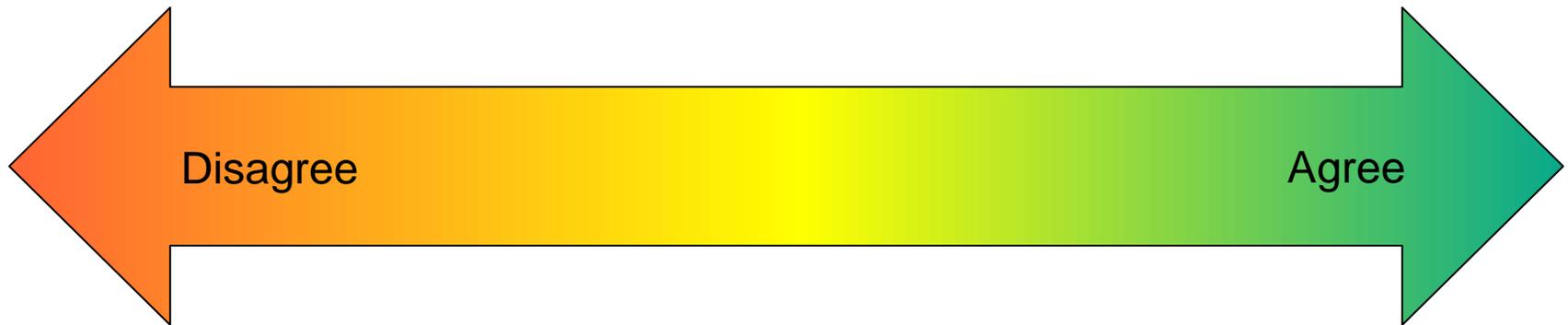
EnerNOC

AER

MEU

Would prevent generators from withholding information until the last minute and then purposely timing their rebid to remove the opportunity for other participants to respond.

Rebidding on the basis of AEMO data



ESAA
EnerNOC
InterGen
NGF
Visy
Westpac
CS Energy
Alinta Energy
GDF Suez
AGL
Arrow Energy
Origin Energy
EnergyAustralia

Market participants employ expert staff in their trading teams to utilise their knowledge and skill in understanding and anticipating what the market outcomes might be on any given day. This requires traders to take into account a wide range of information, not just limited to the standard published market forecasts.

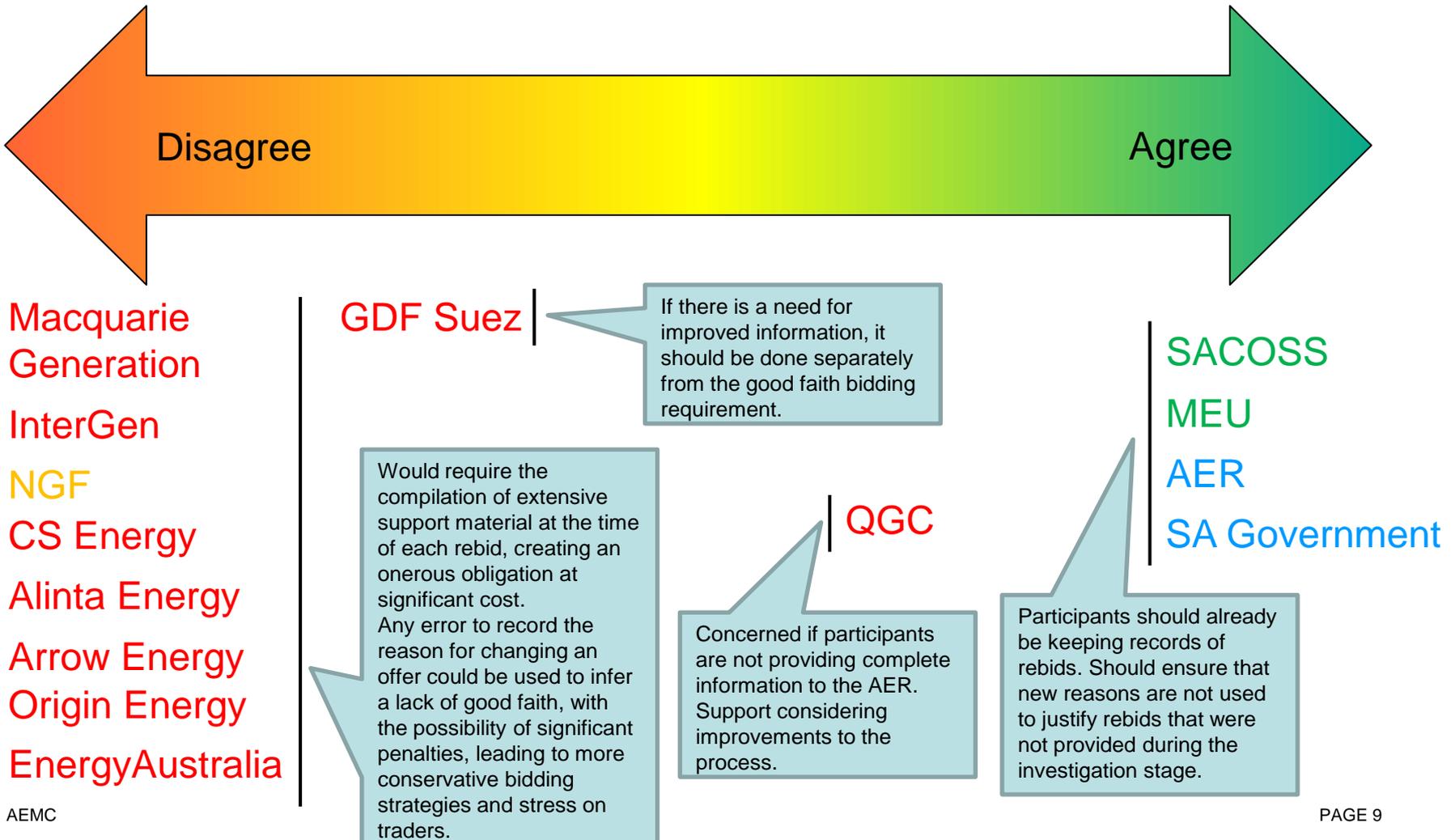
Rule change refers to AEMO data and other material conditions. Provides flexibility to rebid in response to internal business drivers such as a change in contract position.

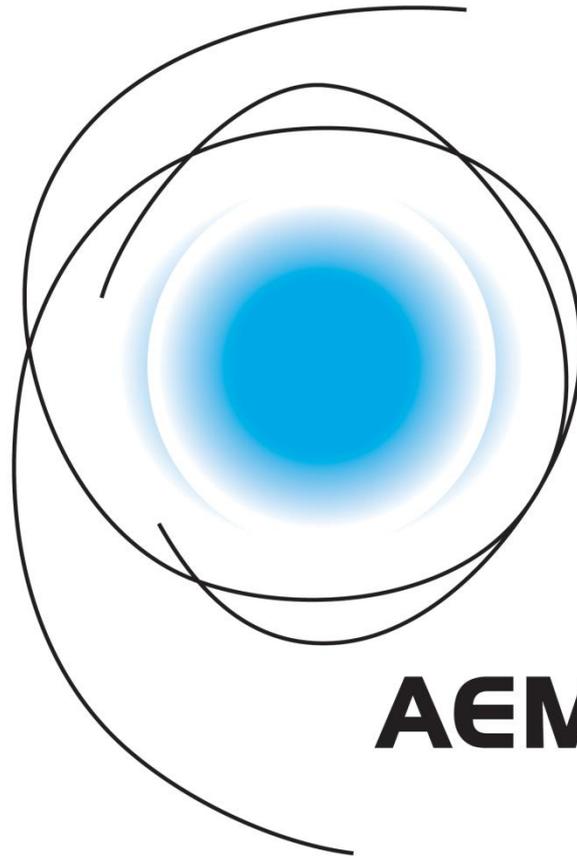
AER

SACOSS
MEU

The accuracy and reliability of pre-dispatch forecasting is a central element to the issues being discussed. By mandating a reference to AEMO published data a clear driver is established to refine this process..

Provision of complete and accurate information to the AER





AEMC