

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

16 November 2015

Dear Mr Pierce

**Second Draft Rule Determination - National Electricity Amendment (Bidding in good faith) Rule 2015**

QGC welcomes the opportunity to provide comment on the Second Draft Determination - National Electricity Amendment (**Bidding in Good Faith**) Rule 2015 (**the Draft Rule**). Overall, while we support the intent of the proposed changes, QGC is concerned that the changes will not materially change the conduct of generators with respect to "late" rebidding. To address these concerns, we suggest:

1. Implementation of the new rule as soon and possible. QGC would prefer that these amendments are in place for Q1 2016.
2. The Council of Australian Governments (**COAG**) Energy Council schedule a review to determine the effectiveness of these changes and whether further amendments are necessary. This would preferably be six months following implementation of the changes.

The following points expand on these positions.

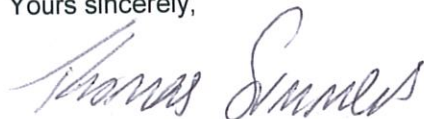
- QGC considers that the intent of the proposed changes represent an improvement on the current market conduct rules that apply in the National Electricity Market (**NEM**) and brings the regulation of the east coast market more in-line with arrangements in other international energy markets. To improve the effectiveness of these changes, it would be beneficial for the AER to provide guidance on how these rules should be applied by generators. Consideration could be given to Australian Energy Regulator (**AER**) issuing a 'Statement of Regulatory Approach', as is the case with other significant issues.
  - Without clear guidance it is uncertain whether these changes will have an immediate impact on the general conduct of generators. Experience suggests that participants are likely to take different approaches to applying the new rule changes. It is not until these rules are tested through a period of regulatory monitoring and enforcement that responses and impacts are understood and adapted. An initial statement from the AER could assist.
  - Furthermore, our expectation is that this monitoring will have limited impact on "late rebidding" as the changes do not specifically impact/target this activity. As a result, we have a preference for a specific market design change to address "late rebidding" (e.g. gate closures).

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- While not as effective as other measures, we viewed the initially proposed AER additional reporting requirements as mitigating some of the potential risks. We were disappointed that these requirements were removed and replaced with the alternative of requiring generators to retain reports that could be called upon if requested by the AER. Although there is an increased administration burden on market participants, we believe there would be a net benefit in proceeding with the initial reporting proposal. In particular:
  - The knowledge that reports **will be** made available to a regulator is more likely to influence a decision to rebid. This is more likely to enhance the overall integrity in the market with participants having greater confidence that generators can demonstrate that rebids, submitted to the Australian Energy Market Operator, are not “false or misleading”.
  - In our view, these reporting requirements would not limit the level of “efficient” rebidding activity undertaken by participants. The proposed requirements were consistent with good corporate compliance and risk management procedures (i.e. the information requests are likely to be already recorded in trader log books etc.)
  - The additional reporting would not have placed onus requirements on the AER. We had previously recommended reporting be limited to a specific set of circumstance (“financial” bids undertaken in the final stages of a trading interval). Based on the rebidding activity over the past three years, “late rebidding”, is typically contained to a number of days and quite possibly requested by the AER in any event.

For the above reasons, we consider it necessary for monitoring that a review be undertaken within a reasonable timeframe to determine whether any additional steps are necessary to address the identified concerns. To minimise the immediate impacts, we also recommend that the new rules are introduced and made operational without delay. These points largely reflect the views raised by QGC through direct discussions with AEMC officials and we would welcome further questions. Please do not hesitate to contact me or Erin Bledsoe [erin.bledsoe@bg-group.com](mailto:erin.bledsoe@bg-group.com) or on 07 3364 2621 with any enquiries.

Yours sincerely,



Tom Summers  
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