



Australian Energy Market Commission

CONSULTATION PAPER

National Electricity Amendment (Timing for spot price reporting) Rule 2010

17 June 2010

**RULE
CHANGE**

Inquiries

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About the AEMC

The Council of Australian Governments, through its Ministerial Council on Energy, established the Australian Energy Market Commission (AEMC) in July 2005 to be the Rule maker for national energy markets. The AEMC is currently responsible for Rules and providing advice to the MCE on matters relevant to the national energy markets. We are an independent, national body. Our key responsibilities are to consider rule change proposals, conduct energy market reviews and provide policy advice to the Ministerial Council as requested, or on AEMC initiative.

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1 Introduction

On 30 April 2010, the Australian Energy Regulator (Proponent) submitted a Rule change request to the Australian Energy Market Commission (AEMC or Commission) in relation to the timing for spot price reporting.

Summary of the Rule change request

Currently the Proponent is required to publish a report on the trading intervals in which the electricity spot price exceeds \$5000/MWh. The report is required to be published within 20 business days of the end of the week in which the spot price exceeded \$5000/MWh.

The Rule change request seeks to extend the time for the Proponent to publish the report to within 40 business days of the end of the week in which the spot price exceeded \$5000/MWh.

Request for expedited process

The Proponent has requested that the Rule change request be assessed under an expedited process set out in section 96 of the National Electricity Law (NEL) as it is non-controversial. Under this process the Commission has six weeks from the publication of the notice under section 95 of the NEL to publish a final Rule determination, and there is no draft Rule determination published. Stakeholders have two weeks from the publication of the notice under section 95 of the NEL to submit written objections to the request being considered non-controversial, and four weeks from the publication of the notice under section 95 of the NEL to provide written submissions on the content of the request. More information on the expedited process and the due dates for submissions and objections are contained in part 6 of this consultation paper.

This consultation paper has been prepared by the staff of the AEMC to facilitate public consultation on the Rule change request and does not necessarily represent the views of the AEMC or any individual Commissioner or the AEMC.

This paper:

- sets out a summary of, and a background to, the Proponent's Rule change request;
- identifies a number of questions and issues to facilitate the consultation on this Rule change request; and
- outlines the process for making submissions.

2 Background

Currently under clause 3.13.7(d) of the National Electricity Rules (Rules), the Proponent is required to publish a report for each trading interval that the spot price exceeds \$5000/MWh. The report is required to:

- describe the significant factors that contributed to the spot price exceeding \$5000/MWh, including the withdrawal of generation capacity and network availability;
- assess whether rebidding pursuant to clause 3.8.22 of the Rules contributed to the spot price exceeding \$5000/MWh; and
- identify the marginal scheduled generating units and semi-scheduled generating units for the dispatch intervals in the relevant trading interval and all scheduled generating units and semi-scheduled generating units for which any dispatch offer for the trading interval was equal to or greater than \$5000/MWh, and compare these dispatch offers to relevant dispatch offers in previous trading intervals.

The Proponent is required to publish the report within 20 business days of the end of the week in which the spot price exceeded \$5000/MWh in a trading interval or trading intervals.

History of the relevant provision

The requirement to report on trading intervals where the spot price exceeds \$5000/MWh was introduced into the Rules in January 2001 as part of a suite of National Electricity Code (Code) amendments to increase the market price limit (then known as the Value of Lost Load (VoLL)) from \$5000/MWh to \$10,000/MWh.¹ The reporting requirement was introduced (amongst other Code amendments) in response to concerns by the Australian Competition and Consumer Commission (ACCC) of potential market power issues arising from increasing the market price limit.² Originally the reporting requirement was undertaken by the National Electricity Code Administrator, but this function was transferred to the Proponent under the new electricity arrangements introduced in 2005.

¹ VoLL, Capacity Mechanisms and removal of the Price Floor (25 January 2001), Notice under section 6(2) of the National Electricity Law and National Electricity Code, www.neca.com.au

² ACCC Determination, Applications for Authorisation VoLL, Capacity Mechanisms and Price Floor, 20 December 2000, p51.

3 Details of the Rule Change Request

The Rule change request from the Proponent proposes to extend the time for publication of a report following the spot price of a trading interval exceeding \$5000/MWh. The Rule change request seeks to extend the reporting timeframe from 20 business days of the end of the week in which the spot price exceeded \$5000/MWh, to 40 business days of the end of the week in which the spot price exceeded \$5000/MWh.

In its Rule change request the Proponent provides its rationale for the Rule change. The Proponent's reasons for proposing an extension in the timeframes are that:

- since the provision was introduced in January 2001, a number of developments has meant that the analysis of spot prices above \$5000/MWh has become more complex (and therefore more time consuming). These developments, according to the Proponent, include:
 - the introduction of the frequency control ancillary services markets;
 - increased network congestion, in part due to the use of fully co-optimised constraints;
 - increased volatility in spot market outcomes, in part due to recent climate change policies and the resultant increase in the penetration of wind generation;
 - the introduction of good faith rebidding provisions;
 - increasing sophistication in participant bidding strategies; and
 - the continuing convergence between activities in the electricity and gas markets.

As a result of these added complexities, the Proponent states that it is often required to seek further information from the Australian Energy Market Operator and registered participants before any conclusions can be reached and a report published. According to the Proponent, this can take some time and lead to delays in publishing the reports; and

- the number of \$5000/MWh events has steadily increased since the introduction of the Rule. Furthermore the Proponent states that the \$5000/MWh events occur more frequently in the summer period placing heavy demands on the Proponent's resources.

The Proponent's Rule change request includes a proposed Rule.

4 Assessment Framework

The Commission's assessment of this Rule change request must consider whether the proposed Rule promotes the National Electricity Objective (NEO). The NEO is set out under section 7 of the National Electricity Law (NEL) as follows.

“the objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to-

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.”

The Commission's assessment of the Rule change request will consider the following factors:

- the timeframes required for the Proponent to gather information and undertake analysis so that it can provide a comprehensive report of the required issues;
- the impact of extending the timeframe on the quality of the analysis of the report; and
- the publication of the report within a suitable timeframe so that the information is timely for "market stakeholders".

In reference to "market stakeholders" we consider that information on high electricity market prices may be useful not only for market participants, but also consumer groups, electricity market policy makers and potential investors in electricity market infrastructure.

In assessing these issues, the Commission will compare the benefits of extending the timeframe with any potential costs. The benefits could include improved quality of reporting. In terms of costs, the Commission will consider how the information provided in the report might be used by market stakeholders and assess the impacts of the extension on these stakeholders. For example the reports are likely to help inform policy development, and investment infrastructure, as well as investigations into market conduct undertaken by the Proponent. The Commission will need to consider the impact of a delay on these processes and any relevant factors.

5 Issue for Consultation

Taking into consideration the assessment framework and potential requirements to implement the proposed Rule change, we have identified an issue for consultation that appears to be relevant to this Rule change request.

The issue outlined below is provided for guidance. Stakeholders are encouraged to comment on this issue as well as any other aspect of the Rule change request or this paper including the proposed framework.

5.1 Appropriate timeframe for publishing the report

As described above, the Commission will seek to find a balance between providing sufficient time for the Proponent to publish an informed and robust report that addresses the requirements of clause 3.13.7(d), with the provision of that information in a timeframe that is useful for market stakeholders.

We are therefore seeking feedback from stakeholders on what constitutes an appropriate timeframe for the publication of the report when the spot price exceeds \$5000/MWh to achieve the balance mentioned above.

6 Lodging a Submission

The Commission has published a notice under section 95 of the NEL stating that this Rule change proposal will be assessed following an expedited process pursuant to section 96 of the NEL (subject to written objections) as it is a non-controversial Rule.

Under the expedited process, stakeholders have two weeks after the publication of the notice under section 95 of the NEL to object to this Rule change proposal being expedited. Objections need to contain reasoning as to why the stakeholder considers that the Rule change proposal should not be expedited and will be assessed by the Commission in accordance with section 96 of the NEL. Stakeholders are required to lodge objections with the Commission by 1 July 2010.

The expedited process also provides a four week consultation process on the content of the Rule change proposal. Submissions on the content of the Proponent's Rule change proposal are to be lodged with the Commission by 15 July 2010.

Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on Rule change proposals.³ The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Nanda Naidu on (02) 8296 7800.

6.1 Lodging a submission electronically

Electronic submissions must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code "ERC0111. The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic submission, the Commission will issue a confirmation email. If this confirmation email is not received within 3 business days, it is the submitter's responsibility to ensure the submission has been delivered successfully.

6.2 Lodging a submission by mail

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Or by Fax to (02) 8296 7899.

³ This guideline is available on the Commission's website.

The envelope must be clearly marked with the project reference code: ERC0111.

Except in circumstances where the submission has been received electronically, upon receipt of the hardcopy submission the Commission will issue a confirmation letter.

If this confirmation letter is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

Abbreviations

ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
Code	National Electricity Code
Commission	See AEMC
NEL	National Electricity Law
NEO	National Electricity Objective
Proponent	Australian Energy Regulator
Rules	National Electricity Rules
VoLL	Value of Lost Load