

BIDDING IN GOOD FAITH: ASSESSMENT FRAMEWORK

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BIDDING IN GOOD FAITH: PROPOSED ASSESSMENT FRAMEWORK

AEMC consultation paper (10 April 2014) set out our proposed assessment framework:

1. Define the problem or market failure that has been identified by the request
2. Assess the materiality of the problem
3. Given the materiality, identify potential solutions to the problem
4. Determine whether any potential solutions would result in net benefits and promote the National Electricity Objective



BIDDING IN GOOD FAITH: THE ROLE OF REBIDDING IN THE NEM

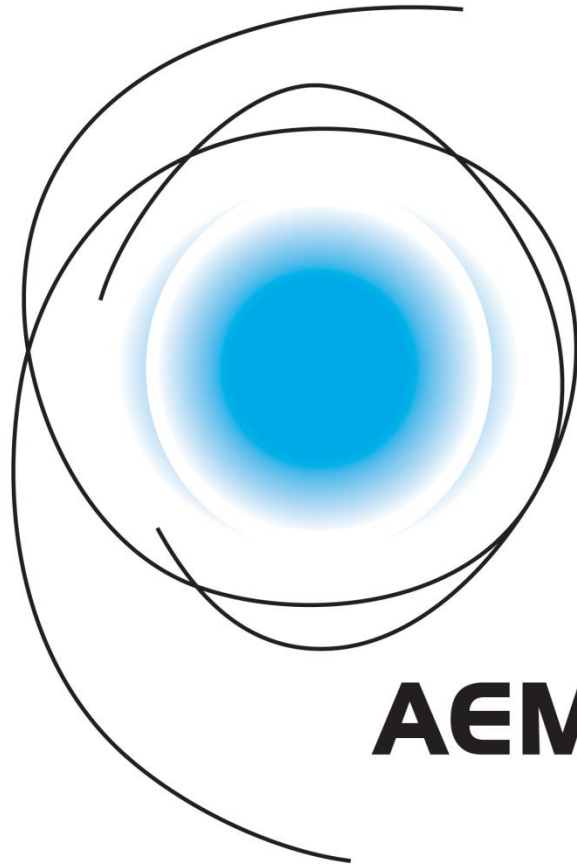
- Need to consider issues raised in rule change request in the broader context of the role of rebidding in the NEM
- In the short-term, rebidding:
 - Allows generators to respond to market and network conditions
 - Facilitates an iterative process of price discovery
- Over the longer-term, prices that reflect supply and demand provide an important signal for new investment



BIDDING IN GOOD FAITH: POSSIBLE ISSUES WITH REBIDDING

- Efficient and stable prices are most likely where participants are least constrained in their ability to respond to others' actions
- This outcome may be compromised by “late strategic rebids” which other participants are unable to respond to
- This is not synonymous with “transient pricing power”, which does not preclude competitive responses
- Difference between dispatch and trading intervals may provide a particular incentive for late strategic rebidding





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