



Negative offers from scheduled network service providers

Consultation starts on rule change request – 29 March 2012

On 5 December 2011 two Victorian electricity generation companies proposed a rule to introduce a price floor of zero on network dispatch offers by scheduled network service providers (SNSPs). The proposed rule is intended to improve competition amongst generators, whose effective offers can be impacted by SNSP offers.

Identified problem and proposed change

International Power-GDF Suez Australia (IPRA) and Loy Yang Marketing Management Company (LYMMCo) are concerned that negative offers from SNSPs can cause some generators to have an effective offer below the price floor because generator and SNSP offers are additive. IPRA and LYMMCo consider this leads to inefficient outcomes, since such generators will be dispatched in favour of others that cannot offer less than the price floor. Consequently, they propose SNSPs be subject to a price floor of zero. SNSPs are currently only subject to a price cap.

Consultation process

A consultation paper has been prepared by staff of the AEMC to facilitate public consultation on this rule change proposal.

The paper:

- sets out a summary of, and background to, the *Negative offers from scheduled network service providers* rule change request proposed by IPRA and LYMMCo;
- identifies a number of questions and issues for consultation; and
- outlines the process for making submissions.

Submissions on the consultation paper and rule change proposal are due by **3 May 2012**.

Issues for consultation

The AEMC is seeking stakeholder views on whether the proposed rule change from IPRA and LYMMCo will lead to more efficient outcomes in the national electricity market. In particular, we are seeking views on:

- the extent to which the identified problem stems from the national electricity rules or another source;
- whether there are any technical reasons why SNSPs should be permitted to offer negative prices;
- whether the proposed rule change will resolve the identified problem and whether it represents a proportional response; and
- the likely impact on market participants and end-use customers of the proposed rule.

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