



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

5 November 2015

Dear Mr Pierce

Draft Rule Determination: Bidding in Good Faith

AGL welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Rule Determination: Bidding in Good Faith. AGL recognises the efforts of the AEMC in developing this second draft rule on rebidding in the National Electricity Market (NEM).

AGL is one of Australia's leading integrated energy companies, operating a retail business with over 3.7 million customers and a power generation portfolio of over 10,000MW, which consists of base, peaking and intermediate generation plants, spread across thermal and renewable energy sources.

As the largest generator in the NEM, AGL has a strong interest in the market rebidding methodology. AGL notes that rebidding provides an important opportunity for scheduled generators to effectively manage their portfolio and to respond to changing market circumstances on an as needs basis. Further, rebidding is not simply an activity that occurs in one direction. That is, rebidding can both lower and raise the wholesale market price. AGL considers therefore that rebidding is a critical component to the overall efficient operation of the market and one that should not be adversely impacted by rule change.

In regards to the second Draft Determination, AGL largely supports the proposed changes contained within the AEMC's Draft Rule Determination, noting that the AEMC's intention with the rule change is to address 'deliberately late rebids [that] are systematically used by some participants to withhold information from the market'. AGL does not consider that the changes will significantly impact participant rebidding behaviour and, subsequently, rebidding activity in the NEM overall.

AGL does however wish to raise the following points of concern.

Addition of clause 3.8.22A(a1)

The proposed addition of clause 3.8.22A(a1), in support of the interpretation of clause 3.8.22A(a), appears to impose strict conditions on rebidding that are independent of clause (a). Specifically, that an offer, bid or rebid will not be changed unless there is a change in material conditions or circumstances.



AGL considers that this addition effectively changes the interpretation of clause 3.9.22A(a) and creates a strict liability on its own. AGL is unclear as to whether the AEMC sought to potentially constrain rebidding activity in this way and considers further, that this point should be clarified prior to the AEMC's final Determination.

Rebidding 'As soon as practicable'

AGL noted in its submission to the first Draft Determination that it did not support the requirement that rebidding occur as soon as 'reasonably practicable'. In support of its position, AGL argued that 'defining 'reasonably practicable' would be open to interpretation and [that it] does not provide clarity to market participants as to what is allowable'.

AGL notes that in the second Draft Determination the AEMC has removed the word 'reasonably' as it found 'there was no material difference between the time limit conveyed by the expressions 'as soon as practicable' and as 'soon as reasonably practicable'. AGL does not consider that this change addresses the concerns it previously raised in its submission to the first Draft Determination. That the stipulation 'as soon as practicable' will still be open to subjective interpretation and that participants are still left with the uncertainty as to what constitutes a rebid made 'as soon as practicable'. This effectively represents an unmanageable risk to market participants.

With regards to the issue of contemporaneous recording versus the reporting of rebids. AGL appreciates the AEMC recognising and addressing AGL's concerns that the continual reporting of rebids would constitute an unnecessary regulatory burden. Accordingly, AGL supports the AEMC's proposed approach that rebidding reasons be recorded as opposed to reported.

Finally, AGL noted in its submission to the first Draft Determination that the issues that are aimed at being addressed through the rebidding rule change are largely attributable to the market settings in one jurisdiction. On this point, AGL supports the AEMC's conclusion that 'rules are not an effective means to compensate for a non-competitive industry structure'. As such, AGL continues to monitor the Queensland Government's current proposal to merge its electricity generation assets, aware of the potential implications of this approach on market settings and market outcomes.

If you have any questions in relation to this matter please contact me on 03 8633 6967.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux', written in a cursive style.

Simon Camroux
A/g Head of Regulatory Strategy