



Negative bidding by scheduled network service providers rule change request: Section 108A report

Purpose

The Australian Energy Market Commission (Commission) is required under section 108A of the National Electricity Law (NEL) to publicly report on Rules not made within 12 months of publication of the notification of the commencement of the Rule change process.

Background

On 5 December 2011 the Commission received a Rule change request from International Power-GDF Suez and Loy Yang Marketing Management Company (the Rule change proponents). The Rule change request proposed introducing a price floor of zero on network dispatch offers by scheduled network service providers. The proposed rule is intended to improve competition amongst generators, whose effective offers can be impacted by SNSP offers.

Following this request, on 29 March 2012, the Commission published a notice under section 95 of the NEL advising of its intention to commence the Rule change process and initial consideration of the Rule change request. A staff consultation paper was published to facilitate stakeholder comments.

On 5 July 2012 the Commission gave notice under section 107 of the NEL to extend the period of time for the making of the draft Rule determination to 7 November 2013.

Reason for the final Rule determination not being made within 12 months

The reason why the Rule determination has not been made within 12 months of the publication of the notice under section 95 of the NEL is because the rule change request raises broader issues about the role of market network service providers in the national electricity market and their ability to actively participate in the spot market through offering to transport electricity at a price other than zero.

Under the initial timetable a draft rule determination was due on 12 July 2012. However, further analysis of the issues arising from the rule change request have led us to conclude that the issues are of sufficient complexity and difficulty such that the timetable needed to be extended. This change in the timetable has had the consequence of extending the final Rule determination beyond 12 months since the Rule change request was initiated.

Expected time for making the draft and final Rule determinations

The Commission considers it will publish the draft Rule determination for the Rule change request by 7 November 2013. The final Rule determination will therefore be due on 30 January 2014.