

EnergyAustralia

Bidding in good faith draft rule determination

AEMC public forum

18 May 2015

Ralph Griffiths – Wholesale Regulation Manager



EnergyAustralia

Efficient rebidding benefits consumers.

EnergyAustralia substantially agrees with AEMC characterisation of the issues:

- ✓ Rebidding is a necessary and efficient aspect of an energy only market
- ✓ Rebidding contributes to price discovery and risk management
- ✓ Generators must be able to respond to changes in subjective expectations
- ✓ Accurate pre-dispatch contributes to market efficiency
 - Supply, Demand and Network constraints
- ✓ The later a rebid is made
 - the better the information available to the generator
 - the more difficult it is for generation or demand to respond
- ✓ Generator bids (offers) should reflect their intention and not be misleading
 - We act accordingly and believe the existing law requires this

The rebidding 'issue' is narrow – very late rebidding.

Competition drives efficiency, not red tape



EnergyAustralia

'Very late' rebidding price impacts are mixed and low

- The cost of very late rebidding is low (the 5/30 issue)
- Late rebidding lowered prices in the biggest states
- The total estimated cost of very late rebidding was less than \$10M in 2013
- This is less than 0.1% nationally or less than 0.5% in any region

Table 4.11 AEMO analysis - impacts on annual average prices due to late rebids by year and region (\$/MWh)

Year	NSW	QLD	SA	TAS	VIC
2010	\$0.08 ↓	-\$0.06 ↑	-\$0.04 ↑	-\$0.17 ↑	-\$0.02 ↑
2013	\$0.03 ↓	-\$0.22 ↑	-\$0.40 ↑	-\$0.03 ↑	\$0.08 ↓

The impact is cents per MWh



No evidence of a systemic or NEM wide issue

- The potential 'issue' with late rebids is limited to a combination of very specific circumstances:
 - Tight supply & demand
 - AEMO forecasting errors
 - Outages
 - Transmission constraints
- Recent Qld trends are complicated by multiple unrelated issues
 - Rapidly changing generation mix and demand profile - Gas prices, coal/gas switching, solar PV penetration, LNG demand
 - Contract market imbalance - contracted load, uncontracted generators, lots of intermediaries (similar to SA 08/09 and NSW 2011)
 - Local market structure and Government ownership

Don't bias action to address very short term trends



EnergyAustralia

Potential efficiency benefits appear over stated

- Pre-dispatch accuracy
 - Scheduled generation is the most accurate element.
 - Rebidding impacts swamped by constraint & demand forecasting errors
- Customer demand response
 - All participants would like to base decisions on known prices.
 - But 5/30 is bigger than rebidding and has mixed impacts.
- Dispatch efficiency
 - Fear of 'late' rebidding in tight supply/demand may result in 2 generators operating when 1 would do.
 - The immediate effect is to reduce the spot prices and increase system security. This may be an acceptable outcome.
- Contract market efficiency
 - Volatility informs an efficient contract market. Spot prices and volatility increase with decreasing contract cover in an energy only market.

Energy only market can drive efficiency, but requires competitive freedom and decision making in real time



Is the draft rule proportionate?

- Very high compliance cost and regulatory burden
 - A report to AER on every 'late' rebid describing in detail how, why and when you made the decision
 - It is impractical - we would have reported 300 in the first 2 weeks of May
 - It is an intolerable burden to impose on individual traders
- In principle change from 'good faith' may appear limited
 - We do not make bids that are false or misleading.
 - We agree bids should reflect an ongoing intention
- But in practice it will create high uncertainty
 - What does it really mean? Cause and effect is not simple.
- The AEMC suggests intolerable red-tape may reduce 'late' rebids
 - This would increase risk and reduce efficiency
 - Burden falls primarily on the responder, not the aggressor

Proposed red tape will impose excessive costs. The restrictions and uncertainty may reduce efficiency.

