



Government
of South Australia

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Mr John Pierce
Chairman
The Australian Energy Market Commission
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Dear Mr Pierce

Thank you for the opportunity to comment on the Australian Energy Market Commission's second draft determination regarding the bidding in good faith rule change.

South Australia's initial rule change proposal aimed to strengthen the current regulatory framework through providing greater clarity to generators and market participants regarding the meaning of bidding and rebidding in good faith to ensure generator bidding and rebidding practices are consistent with an efficient, competitive and reliable market.

While the Commission's second draft determination does not adopt South Australia's rule change proposal in its entirety, we are generally supportive of the draft recommendations as they are consistent with South Australia's intent in terms of the effect they seek to have on bidding practices and will therefore be an improvement on current arrangements.

However, South Australia maintains its initial view that a trader's subjective expectations should not be viewed as a market condition, a change in which can result in subsequent rebids.

While acknowledging the Commission's view that a rebid based on an expectation that does not eventuate could be as valid in arriving at an efficient outcome as a rebid based on an objectively observable change in market conditions, we consider it will be very difficult to determine when a trader's expectations changed and therefore impossible to determine if the rebid was made as soon as possible after this occurred. Non-fulfilment of a trader's subjective expectations should therefore not be considered a change in market circumstances, and therefore justification for another rebid. We therefore maintain our concerns that the rules as proposed may not prevent or hinder repeated attempts by a trader to cause price spikes by shifting capacity into higher price bands, in this instance.



Despite concerns regarding this one matter, South Australia supports the Commission's second draft determination.

Thank you again for the opportunity to comment on the second draft rule determination. Should you have any questions in relation to this submission, please contact Ms Rebecca Knights, Director – Energy Markets, Energy Markets and Programs Division on (08) 8226 5500.

Yours sincerely



Hon Tom Koutsantonis MP
Minister for Mineral Resources and Energy

20 November 2015