

AEMC Forum

Bidding in Good Faith

Visy Perspectives

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Large User Perspective



- ❑ Consumer interest in generator ramp rates rules and good faith bidding??
- ❑ Some large users take Spot Market Exposure
- ❑ Standard retail customers are affected by Spot. Impact on forward wholesale contract prices and retail prices – no escaping spot!
- ❑ Govt. have promoted customer involvement in the market with Demand Side Management
- ❑ Large buyers are prepared to take price risk on spot
 - ▶ We accept that price extremities will occur
- ❑ Requires risk management approach to deal with times of genuine market constraints and price extremities
 - ▶ (a) Contract (fixed price) for base-load / load not capable of curtailment
 - ▶ (b) Curtailment capability: Personnel, plant and control systems at Visy's key load facilities are equipped to shed load at short notice
 - ▶ Information: market-monitoring systems and access to market experts and market intelligence to inform curtailment decision-making

Curtailment Response Possible?



- ❑ Some warning of imminent price extremities
 - ▶ Supply and Demand constraint?
 - ◆ Demand: Weather extremities
 - ◆ Supply: Genuine shortage of generation; Unanticipated failure of generation/interconnectors
 - ▶ No expectation of generous or special warning
- ❑ Quick response time
 - ▶ Visy: 15 – 30 min response time
 - ▶ Other large users have response times between 10 – 30 min
 - ▶ Others responding to price extremities – fast start peaking gen
- ❑ Some certainty that the curtailment reaction will be effective in mitigating extreme price exposure
 - ▶ Will the price extremity forecast in pre-dispatch actually materialise?

Visy Experience QLD 2013-2014



- ❑ No extrinsic indicators of price spikes
 - ▶ Price extremities at “odd” times – eg Saturday Night, 10pm – no demand concerns, no shortage of generation, no interconnect issues
 - ▶ Extreme prices “materialising” just prior to D.I.
- ❑ Pre-dispatch volatility “vapourising” after 5-minute burst
- ❑ Price extremities correlated towards last 5 minute D.I. within a Trading Interval??

QLD "4-digit" Spot Price - Dispatch Int. Distribution: Jan-13 TO Apr-14

Spot range \$/MWh		Dispatch interval						Sum
		1	2	3	4	5	6	
\$1,000	\$3,000	27	19	17	25	25	44	157
\$3,000	\$5,000	-	2	-	-	1	1	4
\$5,000	\$7,000	2	1	1	1	1	3	9
\$7,000	\$9,000	5	2	2	2	3	3	17
\$9,000	\$11,000	-	-	1	1	1	6	9
\$11,000	+	7	3	5	3	11	22	51
Total		41	27	26	32	42	79	247

- ❑ Many of these events due to frequent short timeframe re-bidding

QLD Re-bidding Example

VISY



QLD 2013-2014 Conclusions



- No time for load curtailment / peaking generation to respond or no certainty that the response would be effective
- No comfort that price extremities driven by genuine supply/demand issue
- QLD extreme prices in 2013 & 2014 often not influenced by marginal generation. Significant base-load generation having been mothballed.
- Small number of large base-load generators dictating extreme price outcomes with comfortable capacity availability
- Leads large users to a perception that bidding has often not been in good faith in the QLD market – refer also to NECA Sep 2001 report: Generators' bidding and rebidding strategies and their effect on prices.
- Visy supports moves to ensure bidding, and re-bidding, in the NEM is in good faith – crucial to an effective and efficient market