

11 June 2015

John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

By online submission

Dear Mr Pierce

### **Bidding in good faith draft determination**

Hydro Tasmania welcomes the opportunity to provide comment on the AEMC's Bidding in Good Faith draft determination. The ability of generators to rebid is a necessary function of an efficient energy market and enables generators to respond to changing conditions. Hydro Tasmania supports attempts to increase market transparency and efficient market outcomes. We do not support the draft determination and believe that it creates excessive reporting requirements that do not positively contribute to the National Electricity Objective. In our view, the current good faith bidding rules are largely effective.

### **Excessive Reporting Requirement**

Hydro Tasmania does not support the requirement to report every "late" bid to the Australian Energy Regulator (AER) for two key reasons: the draft rule does not support an efficient market outcome and the reporting requirement is a significant and unnecessary burden on generators.

Market outcomes are likely to be less efficient as the reporting requirement will influence a trader's willingness to respond to changing market conditions. This outcome is inconsistent with an efficient market outcome and consequently it is inconsistent with the National Electricity Objective.

The draft rule assumes that late rebids are typically made in an attempt to reduce market transparency. However, rebids are "late" very often as changes in circumstances occur with little notice, and are frequently unrelated to the market price forecasts. Hydro Tasmania actively rebids to optimise its hydrology and distributed generation portfolio.

On a typical day in the NEM, Hydro Tasmania submits over a dozen rebids. Approximately 90% of these are "late", in that they change the offer for the current half hour, amongst other periods. The cause of rebids is mostly plant related (approximately 60%). Other participants have similar statistics. Where it is suspected that anyone intentionally delays rebids to prevent competitor response, the AER and the ACCC already have the power to extract relevant information from participants.

Given that almost all rebids are "late", the timing of the rebids alone cannot be deemed suspicious. Yet, under the draft rule, over a hundred reports a day will be submitted to AER by generators. This

would result in a significant administrative burden for generators and the regulator without a clear benefit.

Conclusion:

Hydro Tasmania does not support any additional reporting. Hydro Tasmania believes that the existing rules and guidelines, if properly followed, provide an onus on generators to keep appropriate records pertaining to rebids in order to respond to an AER enquiry on good faith obligations. Any desired improvements should focus on these provisions and not on unnecessary reporting obligations.

If you have any questions in relation to this submission, please contact David Bowker on (03) 6230 5775.

Yours sincerely

A handwritten signature in black ink that reads "D. Bowker." with a horizontal line underneath the text.

David Bowker  
Regulatory Manager