



Bidding In Good Faith

**Presentation: Why the Late Rebid Report
Obligation is Unwarranted**

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18 May 2015**

We don't support new reporting requirements for rebids

1. Unrestricted rebidding is good for consumers and is necessary for market operations:
 - Available evidence suggests unfettered bidding results in efficient outcomes.
 - Late rebid reports would place onerous compliance burden on Participants (ultimately increasing costs) and result in general market dis-benefit. Does not meet the NEO.
2. Rebidding supports efficient price discovery. By discouraging rebidding, price discovery will be adversely affected and disproportionately impact flexible scheduled generators. This is perverse as flexible load following plant must be rewarded not restricted in operation.
3. If a late rebid report is ratified there must be appropriate thresholds.
4. The Demand Side must inform its intentions in relation to price.

Unrestricted rebidding is good for consumers

- On balance, available evidence shows there's no material inefficiency arising from current rebidding Rules. Roam showed with the exception of QLD, higher demand periods result in late rebidding moving generation capacity to bid bands below \$300/MWh.

Table B.2 Relationship between demand and late rebidding

		2007	2008	2009	2010	2011	2012	2013	2014
Queensland	Above 300	↗	↗	↗	↗	↗	↗		↗
	Below 300	↘	↘	↘	↘	↘	↘		↘
New South Wales	Above 300				↗	↗	↗	↗	↗
	Below 300				↘	↘	↘	↘	↘
Victoria	Above 300		↗		↗	↗	↗	↗	↗
	Below 300		↘		↘	↘	↘	↘	↘
South Australia	Above 300	↗	↗	↗	↗	↗	↗	↗	↗
	Below 300	↘	↘	↘	↘	↘	↘	↘	↘
Tasmania	Above 300					↗			
	Below 300					↘			

Structural issue /
specific regional
issue.

Relationships that are of mild, moderate, and high significance are represented by green, blue, and red respectively.

- Rebidding is required to optimise the economic benefit of market operations. Snowy's hydro portfolio is both flexible and energy constrained. Unrestricted rebidding facilitates the optimal use of this scarce resource.

Unrestricted rebidding is required for efficient price discovery

- We all recognise a changing macro environment.
 - Far more variability (wind / solar / demand response / climate change policies). These exogenous factors will only increase variability.
- In this changing environment flexible scheduled generators and loads provide a even more valuable load following service even if this service is not explicitly recognised.
- The late rebid report will effectively restrict this responsiveness by increasing costs and risks of punitive action.

Warning for Policy and Rule makers: This appears to be a conscious attempt to impose a “brake” on responding to dynamic market conditions. Costs will increase (from administrative burden and less efficient outcomes) which will to some extent be passed to consumers.

Compliance burden and cost will be very high

- Our analysis (see table below) shows that the new reporting requirement would result, on average, in 81 reports being produced every day. For what benefit?
- This would be a significant compliance burden on Scheduled Participants.

Rebidding within 15 minutes	Total		Daily Average	
	2014	2015	2014	2015
Snowy Hydro	1,479	494	4	5
All Generators	24,122	8,601	66	81

- On 21/02/2014 there were 392 instances of rebidding for all DUIDs during the day. Leaving aside the compliance burden for Participants, does the AER have the resources to deal with this deluge of new documentation?

Compliance burden and cost will be very high

- The late rebid report is “*expected to be substantially more comprehensive than the brief, verifiable and specific reason that participants are currently required to provide with each rebid submitted (p. 47 of Draft Det)*”.
 - Inconsistent with the AEMC’s rejection of the original proposed rule for the provision of complete and accurate information to the AER on reasons for bids and rebids.
- The Trader would need to consider, “trade-off between the necessity of the rebid and the requirement to prepare a detailed report (p. 47 of *Draft Det*)”.
- We expect this compliance burden will result in more conservative rebidding and limit the ability of generators to respond to dynamic and changing market conditions. This is inconsistent with the NEO.

How can the late rebid report requirement be made more efficient

- Our starting point is that the late rebid report is not required. The AER already have powers under the existing Rules, cl. 3.8.22(c)(3) to request “...such additional information .. for a rebid .. from time to time”. Why is the late rebid report needed?
- We have concerns that the specific content and format of the late rebid report will be specified by the AER in its Rebidding and Technical Parameter Guidelines (rather than in the Rules):
 - This provides no certainty given a Rules obligation will be outlined in an operational guideline; and
 - Provides the AER with too much discretion.
 - Uncertainty always comes at a cost.
- If it is ultimately determined that a late rebid report regime is justified, then it must be proportionate to the problem it seeks to address, and be based on pre-determined and justified triggers.

Information transparency required for both Supply and Demand

- The AEMC states: *“the price setting process should be sufficiently transparent and robust such that market participants have confidence that these signals are generally reflective of underlying supply and demand conditions in the NEM (p6 Draft Det)”*.
- Participants with controllable price sensitive load do not have any requirements reveal their intentions to the market to aid price discovery. This is inefficient:
 - By the AEMC’s own arguments this must be addressed.
 - Reduces confidence in Pre-dispatch prices which only reflect the supply and consumption intentions of scheduled market Participants.
 - The unnecessary dispatch of fast start units to cover high spot prices (only to watch the price fall due to an unforecast demand response).
 - Incorrect pricing of contracts (particularly day ahead outage cover) caused by high predispatch forecasts yet the outcome is lower spot prices due to demand side response that is not factored into the predispatch forecasts.

Demand side must inform its intention in relation to price

- A rule change is required to provide transparency of demand side intentions and aid the efficient price discovery process.
- A rule change is needed to require all loads (>30MW) that are responsive to market price to:
 - Bid load into the market.
 - Be subject to the same information disclosure / reporting requirements as scheduled generators.
 - Be subject to dispatch compliance obligations.

Conclusion

- Proposed new reporting requirements for rebids not supported:
 1. Unrestricted rebidding is good for consumers, necessary for market operations and aids the price discovery process.
 2. Places onerous compliance burden on Participants thereby increasing costs and will result in market dis-benefits due to less efficient outcomes.
 3. The AER already has the power to request “...such additional information...for a rebid...”.
- If a late rebid report is ratified there must be pre-determined and appropriate thresholds in the Final Determination.
- If accurate information underpins the price discovery process then there must be equal obligations on controllable load to reveal its intentions.

Thank-you