

11 February 2015

Mr John Pierce
Chair, Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

Lodged via www.aemc.gov.au

Dear Mr Pierce

RE: National Electricity Amendment (Bidding in good faith) Rule 2014

GDF SUEZ Australian Energy (GDFSAE) appreciates the opportunity to make a submission in response to the National Electricity Amendment (Bidding in good faith) Rule 2014 (the proposed rule) Options Paper (the options paper).

GDFSAE owns and operates 3540MW of brown coal, gas fired and renewable generating plant in Victoria, South Australia and Western Australia, with its retail arm, Simply Energy, serving markets in Victoria, New South Wales, South Australia and Queensland.

GDFSAE actively participates in the National Electricity Market (NEM), including the spot market, and would be directly impacted by the proposed rule and any of the alternatives presented in the options paper that impact on the utilisation of rebidding to respond to market developments and maximise revenues, or created additional administrative burdens.

GDFSAE notes that the paper goes beyond the scope of the proposed rule and is more akin to a self-initiated review than a rule change. In this regard, GDFSAE welcomes the wealth of supporting materials and depth of analysis presented to assist stakeholders.

This submission discusses market efficiency, the identification of possible inefficiencies, the issue of revenue recovery, and the particularly focus on Queensland which raises matters beyond rebidding that have not been canvassed by the AEMC in the options paper which may justify further work.

The submission notes the implications of demand side participation perspectives, the inherent problems created by five minute dispatch and thirty minute settlement and the potential for reform, and the limitations of the range of proposed solutions.

GDFSAE believes any change to rebidding would represent a significant change to the NEM and should be approached with caution.

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A well-functioning market

It is widely accepted that the NEM has functioned well over the past 15 years. The NEM has provided the required levels of security of supply and reliability and has encouraged privately funded investment in a variety of technologies.

In recent years, concerns regarding the NEM have generally focused on the impacts of external policy settings, notably those relating to climate change policies and renewable energy, rather than the mechanisms underpinning the NEM itself. Those policies have put pressure on the capacity of the NEM to continue to meet its range of objectives and remain the subject of ongoing consideration.

The market mechanism, meaning the process by which bids are made, dispatch enacted and the market settled, has remained robust and fit for purpose and has not generally been subject to significant change on the basis of external pressures. However, in the past few years there have been growing calls to tamper with this aspect of the market on the basis of uncertain concerns or to support specific business models.

Externally driven distortions, despite the damage done, can be corrected if the NEM market mechanism remains robust; however, changes which have the effect of undermining the NEM market mechanism and further undermine the viability of existing participants could be more difficult to undo. Therefore, GDFSAE suggests that the integrity of the market mechanism is critical to the NEM and the threshold for change should be particularly high and supported by robust evidence.

Market efficiency and identification of possible inefficiencies

The Professor George Yarrow paper commissioned by the AEMC is a useful starting point for a discussion on market efficiency and the identification of possible inefficiencies. The paper provides an interesting summary on the issue of scarcity rents and draws attention to how the market can be designed to determine appropriate levels of rents.

Professor Yarrow flags that the pursuit of short-term allocative efficiency can be harmful for dynamic efficiency as it can reduce incentives including for innovation and investment. This is a theme and a tension that pervades many of the discussions surrounding rebidding and market prices in the NEM, an often unacknowledged but identifiable dislike of high prices and a preference for allocative efficiency in dispatch only over dynamic efficiency.

Nonetheless, turning to the paper it is clear that if the market rules restrict the ability for economically efficient rents to be recovered then it will result in lower levels of availability and in turn reliability of supply. In the context of late rebidding, which occurs where a participant is uncontracted and has transient market power, there may be little incentive to turn on and make generation available if the participant is not permitted to rebid dynamically in response to market developments and as positions change.

Importantly, Professor Yarrow notes that financial contracts have a strong bearing on generator bidding strategies. In this regard, it should be emphasised that a generator will only seek to maximise rents when it has not been contracted and that in a subdued market, as has been the case in the NEM for recent years, it is not surprising that parties are choosing not to contract with generators and instead be exposed to the spot market.

Yet the corollary of this is the subsequent exposure to price spikes as uncontracted generators seek to maximise scarcity rents. Had a generator's capacity been valued in the form of swap agreements there would be little incentive to rebid in a fashion that pushes prices upwards. On the contrary, examining bid stacks reveal that generators often bid thermal coal generation between \$10 and -\$1000 across most bands especially in subdued conditions, where oversupply exists or they are contracted.

By choosing not to enter into large swap positions or only relying on a level of cap cover, supplied by peaking gas plant, an explicit decision has been made to face start-up and delay costs. For the AEMC to then suggest that it is inefficient for gas plant not to be able to respond in the same fashion as already running thermal plant ignores that the decision to be exposed to the market and not contract running generation is an explicit and priced decision made in the face of all available information – and is thus efficient - and therefore it is appropriate for uncontracted generators to seek to maximise scarcity rents based on market conditions. Both the contracted and the uncontracted participants are well aware that price spikes that deviate from pre-dispatch are possible as conditions in the market evolve.

Thus, GDFSAE suggests it is incorrect to assume, as is implied, that in all circumstances the only legitimate process to improve price discovery is additional generation starting up. The decision not to bid, where known price exposure exists, in itself aids price discovery as it demonstrates a willingness to face spot market price risk in exchange for other savings or alternative revenue sources. This is in contrast to the AEMC and Professor Yarrow's emphasis on spot market outcomes that does not fully reflect the dynamic nature of the NEM, especially the use of alternative hedging arrangements and routes to markets, utilised by specific plant and across portfolios.

As such, GDFSAE suggests Professor Yarrow's view notes that late rebids are likely to be less valuable for the purpose of price discovery should not be overemphasised. While it is theoretically correct to note the level of inefficiency is the difference between what would have been the new price in the presence of new information following a period of price discovery versus the new price caused by a late rebid both would be higher than the price without rebids and thus it does not suggest change should be enacted. Further, the corollary is that responses to late bids, which are not precisely known and cannot be acted on within the next five minute period (as they in themselves are late), are likely to push prices lower than may be efficient as well.

The process whereby high prices are matched by a race to the floor and negative prices is a well-known feature of the NEM. It is likely within the short term, as it relates to price discovery, neither price delivers optimal allocative efficiency. Nevertheless, GDFSAE is sceptical that long term dynamic efficiency is negatively impacted by this pattern of behaviour to any measurable extent in either direction. In that regard, GDFSAE supports Professor Yarrow's view that "overshoots and undershoots are a normal feature of iterative discovery processes"¹. This echoes back to the highlighted tension between a dislike of high prices and a preference for allocative efficiency in dispatch only over dynamic efficiency in some circles.

Focus on physical response by gas turbines and demand response

Professor Yarrow makes the point, heavily relied upon by the AEMC, that gas plant (or other) may be unable to physically respond due to physical limitations and this may result in under recovery for that plant which may in turn impact investment signals. GDFSAE has some issues with the way this issue has been characterised by the AEMC. Therefore, a few points are worth noting.

¹ Professor George Yarrow, assisted by Dr Chris Decker (2014) 'Bidding in energy-only wholesale electricity markets', November, pg 14.

First, it is not clear why the AEMC is so explicitly focused on the technical limitations of one form of generation – some gas turbines – and not all. The same logic that late rebids don't allow enough time for slower gas fired turbines to commence physical response can be applied to the three day or more start up window for thermal coal fired assets. These coal fired assets are just as exposed to high prices and rebids as the more responsive gas turbines if they are contracted or reliant on spot revenues and not running. If price discovery was to consider all available generation it is arbitrary for the AEMC to only consider gas turbines and demand response within the last dispatch interval. While ludicrous, it follows that if price discovery is the critical measure, not dynamic efficiency, then enacting a five day or similar gate closure so all plant can respond should be supported.

Second, can or would gas turbines or demand response ever economically respond to one high dispatch interval in a dynamic market? Despite any rhetoric, the answer is most probably no.

GDFSAE has doubts a turbine would be turned on to match one dispatch interval given start-up costs, implications for maintenance, fuel burn, contract structure and risk of being dispatched at lower prices. Participants enter contracts with an expectation they cannot physically match every dispatch interval for a variety of reasons, most notably in a continuous market being turned off presents obvious limitations.

Therefore, running plans are unlikely to be determined in response to a single unexpected dispatch interval spike. Gas turbines would usually have pre-determined responses based on market conditions. This is because gas turbines need to make fuel decisions days, at least a day, in advance of likely start-up decisions as sitting on unused fuel in the current market would signify a failure to optimise fuel resources. Even should storage be readily accessible, and a gas turbine has a contract position to defend, the contract payout will be calculated over a period of time which includes a range of price spikes that are too short to justify start-up and fuel burn (i.e. start after 'X' many spikes when weather or demand is a 'Y' post time 'Z').

This differs from the AEMC analysis, which appears to suggest that the only efficient response is for more generation to physically turn on during every price spike when in fact exposure to prices is often the most logical position to take when financial positions are maximised through gas sales, start-up costs avoided, use of hedge and insurances contracts, and investment in retail positions.

Third, the impact of late rebidding is focussed on generators who have an inability to respond. This is an outworking of any market where there is a gate closure. It isn't an efficiency argument but more one of equity and fairness – it is a truism to note that not every plant can respond to market prices in identical terms. Late rebids are just a form of price spike, and analysing them in isolation is somewhat problematic.

This is because exposed generators do not calculate contract exposures and payouts on the basis of differing causes of price spikes. Exposure is calculated based on the historical performance of the market (where the drivers of volatility changes by season, region and year) in light of existing market settings and plant reliability. Then market exposure is managed physically based on plant characteristics, weather derivatives especially in hotter regions, fuel strategies, (i.e. opportunistic or proportional sales, or use of call backs), available capex and opex (i.e. budgeted maintenance, cash flow for prudentials), hedging back into the market to take a reverse position or taking some spot exposure.

Naturally, if all conditions are forced to remain static, with the exception of demand response and gas turbines, this will not increase efficiency but create a free option for those technologies which would change market dynamics. In the context of Professor Yarrow's paper, it is difficult to see how any new price reached under such a model would not be inefficient and in all probability more inefficient than under

the current market mechanism; for both allocative and dynamic efficiency. Hence, such a proposal would be inconsistent with the National Electricity Objective.

In summary, we need to be very clear what the inefficiency is. The consultation seems to overlay equity issues regarding when plant can physically start with efficiency.

Impact on contract prices

Leaving aside the view that contract prices are currently at such a level that there is little value for many generators and that long run marginal costs are not being achieved, there is little evidence to suggest late rebidding has a material impact on hedge prices.

There will never be a precise cost for each type of price spikes which can be subtracted from a contract price. Generator modelling of price volatility and payouts under various contract scenarios are unlikely to move based on slightly fewer late rebids or moving rebids to other points in time. In essence, a few significant late rebids are not enough to move the forward curve or change generator analysis as they are not the current driver of prices and it ignores that drivers of volatility change and evolve by season, region and over time.

On the contrary, while doubtful given the greater start-up and other costs, if limiting rebids did reduce contract prices as defending contracts becomes cheaper it would in turn create an equal but opposite incentive to not run base load generators in shoulder periods to capture scarcity rents. In the absence of these rents there would be fewer incentives to invest and maintain plant. This would in turn feed into contract price and scarcity.

Importance of pre-dispatch

Pre-dispatch is very important to the extent that the market can actually measure what will happen in an upcoming period. Nevertheless, the most efficient price is the one at the time of transaction. The paper seems to imply that deviations away from pre-dispatch are inefficient under any circumstance. To the extent that pre-dispatch can be improved, there are a range of issues that have greater bearing on pre-dispatch than late rebidding.

Where a more efficient price creates a deviation from pre-dispatch this is a strength of the market, not a flaw. Those deviations arising from the expected overshoots and undershoots of a discovery process, the legitimate capture of scarcity rents by generators whose contracts have not been purchased, and rebids as a result of the administrative boundaries are legitimate dynamic market outcomes. It should also be recalled that it is possible for generators to rebid and fail to be dispatched.

Notwithstanding the above, initiatives to improve the integrity of pre-dispatch without the limiting the flexibility of market participants to operate in the market are always welcomed.

Inappropriate market signalling

GDFSAE does not intend to respond to the issue of price signalling or deceptive bids. Neither the arguments put forward, or market outcomes, provide any evidence or cause for concern. Further, the issue is well beyond the scope of the proposed rule and this submission and is already covered by appropriate enforcement and penalty provisions.

Focus on Queensland

The AEMC acknowledges there is little evidence of systematic late rebidding or that the existing good faith provisions are not religiously adhered to by market participants. While some recent issues in Queensland and to a lesser extent South Australia are noted, these are likely to evolve as those markets develop i.e. structural change over time or new entry. Where new entry doesn't occur, it may be that the risk and cost of entry doesn't justify the level of economic rents available whether through late rebidding or generally. This would imply that the level of scarcity rents captured is not excessive (which is consistent with multiple years of below long run marginal cost pricing).

The options paper suggests that Queensland structural issues create outcomes that don't occur in other regions; however, this does not mean those outcomes are manifestly inefficient. Differences between regions are not indicative of one region being good and another bad, regions should differ, that's why the NEM has a regionalised market. Existing outcomes are only of concern for those stakeholders that see all rebidding as undesirable or participants who are exposed to high prices who do not wish to enter into swap or cap agreements with Queensland generators. Should there be a case at law then action should be commenced by the regulator. Seeking to change the market as a consequence of opinion and conjecture is a sure sign of unhealthy regulatory creep. As it stands, public examination on the 'vibe' of current behaviour in some regions is inappropriate.

Interestingly, the Australian Energy Market Operator analysis of price impacts showed limited overall impacts associated with late rebids. This analysis is informative; however, it is not a conclusive counterfactual as it manufactures a world in which only one variable, late rebids, are adjusted which is unlikely to reflect reality regardless of the form of regulatory change.

Notwithstanding the above, given the AEMC has chosen to extend the analysis beyond the proposed rule there are a number of relevant matters the AEMC has not covered in the options paper that are relevant and should be considered. While the issues in Queensland have been characterised as one of rebidding the issue of rebidding is a secondary matter and attempts to manage issues arising in Queensland via a rebidding rule changes is less than ideal.

GDFSAE suggests the issues raised by the Australian Energy Regulator (AER) in earlier reports are a primary example of why the issue of rebidding is being mischaracterised. For example, the concerns raised by the AER regarding generator behaviour around the Calvale to Wurdong line are being conflated with rebidding when Queensland topography, constraint formulation, line ratings, network outages, network investment decisions combined with uncontracted generation and demand are the actual drivers of outcomes. This is not to suggest that selected generators don't use rebidding to maximise scarcity rents but that such rents are not a cause of inefficiency.

The example of the Calvale to Wurdong line is telling as any number of developments or changes could eliminate the transient market power that arises without impacting overall dynamic efficiency by limiting the rebidding of all generators.

For example, an assessment of regional boundaries may suggest the existing regional structure based on State boundaries is not the most efficient for Queensland; however, this issue has been long been quarantined whether for good or bad. As such, the implication of not progressing with boundary changes that may improve efficiency is that dispatch inefficiency will arise from time to time. Governments and regulators need to acknowledge that all NEM administrative boundaries give rise to trade-offs which can be accepted where they support dynamic efficiency.

Likewise, an alternative approach would be to invest in the network or update line ratings so that ongoing constraints do not arise in circumstances that are of concern. Given the network drivers for investment or alternative operation of the network for the purpose of generating market benefits are limited, this is unlikely to occur. However, if consumers' interests are not best pursued through additional network expenditure (a substitute to generation) then there is little justification in taking exception to high prices in the face of constraints and market conditions generally.

Some participants have argued that recent generation ownership changes in Queensland have been the catalyst for increased volatility and late rebidding. GDFSAE has no position on this matter except to say that it would not be appropriate to limit mergers, acquisitions or restructures on the basis of possible constraints or rebidding. Constraints arise and move over time and the ability of generators to affect them, if at all, changes over time.

Most notably, the AEMC has failed to canvass how a congestion management scheme would impact late rebidding given the prevalence of the Queensland example. This is intriguing given the extensive and ongoing work programme on optional firm access and the AER's view, in 2012, that a congestion management scheme would resolve the range of issues it had identified.

Finally, GDFSAE notes that if ramp rates better reflected technical capabilities and plant were made to nominate ramp rates better aligned with technical capabilities then these issues would be less significant in Queensland. Notably, generators would be able to respond to changes in the market more efficiently, the National Electricity Market Dispatch Engine would better manage the impacts of constraints, and the incentives around disorderly bidding and late rebidding would be more transparent.

Revenue recovery

If a rule was to be implemented, despite the lack of available evidence, and affected generators could not capture scarcity rents through rebidding then those generators are likely to act to reduce costs or increase revenues through alternate methods. A number of options immediately present themselves, although it is likely after some experience other methods would evolve.

Firstly, if nothing else changes generators would seek to reduce investment and generation availability in response to lower scarcity rents. This would particularly be the case during shoulders periods and the impacts on contracting incentives may give rise to greater not less volatility.

Secondly, where withdrawal didn't occur, bidding changes in the market could be in a number of forms. For instance, the introduction of a hard gate closure is in all likelihood going to create greater incentives to game late rebids prior to gate closure as participants would view the market design as being shaped to inefficiently limit access to scarcity rents. Perversely, these late rebids would occur in the face of less dynamic information than is currently the case exacerbating the unavoidable overshoots and undershoots of price discovery.

Such a change may also create a general incentive to bid at overall higher levels for a few price bands. Generators often rely on the ability to reprice to higher bands at times of scarcity and when the market changes. As such, generators may price most bands in a range close to short run marginal cost, for instance below \$10, and well below short run marginal cost, for instance -\$1000, in the knowledge they can rebid to capture scarcity rents as market conditions evolve and recover fixed costs where possible. Not that this strategy is diligently adhered to by any participant, with 'set and forget' approaches identifiable.

Nonetheless, should generators believe they have little chance of capturing scarcity rents; this may encourage greater use of high priced bands. Whether this approach would ultimately prove workable in a market with overcapacity and prices well below long run marginal cost is uncertain. The interaction of new bidding strategies, in the face of lower overall revenues with increased withdrawals and the ongoing potential for financial distress, needs further consideration.

Thirdly, the AEMC's analysis dwells on the truism that generators that are currently generating are better placed to respond to the market than those who are not running. While this is the case for dispatch of energy it is also the case for ancillary services. In a less dynamic market, which would be the case with gate closure, there will be a need to purchase additional ancillary services.

Taking the Wholesale Electricity Market (WEM) in Western Australia for an example, it is clear that ancillary services costs are twenty times those of the NEM despite significantly less services being provided to market. The WEM System Operator explicitly provides that "the overriding factors behind the relatively high [ancillary services] volumes in the WEM are gate closure and dispatch cycle times"². The System operator clearly indicates that a less dynamic market is directly attributable to additional ancillary services charges and recommends a move to shorter gate closure.

It is difficult to believe participants will not seek to maximise ancillary services revenues in the face of less dynamic bidding. Further, it is difficult to see how purchasing additional ancillary services in the face of arbitrary limits on less dynamic bidding will result in a more efficient market overall. On this basis, moves to reduce the dynamic nature of the market go against the development of the NEM to date.

Demand side issues skewing analysis

A recent flavour of NEM policy discussions is the role of demand response and the general feeling that demand response levels are below that which they should otherwise ideally be. Most of these sentiments are well meaning but not necessarily framed in the context of efficiency and with respect to the enduring low prices in the wholesale electricity market. Nonetheless, demand response gets significant attention in the context of the impacts of late rebidding.

Some of this analysis is necessary if it is truly believed that demand response is a direct substitute for generation; however, some of the explicit consultation with this market segment is reliant on conjecture that deviates widely from the evidence and should therefore be dismissed. It is not surprising that certain service providers would rather not face aspects of the market design that do not suit their interests and create difficult to manage risks. It is likely every generation business would equally be able to identify issues that cause greater concerns for their business models than for the market overall.

As such, it is understandable that market prices cannot be accurately predicted in a dynamic environment. If a highly accurate price was known in advance we wouldn't need a market. It needs to be accepted that dealing with price variability is part of price discovery and a driver of efficiency. This is something that demand response providers need to learn to cope with if they wish to operate inside the wholesale market as opposed to taking retail market positions or network support agreements.

To this end, variation from expected price is not the issue; it is whether information that was expected accurately reflects actual market conditions to the extent that all participants, including demand side were best aware. Demand and supply predictions, weather expectations, constraints, and unscheduled

² System Management submission to *Wholesale Electricity Market report to the Minister for Energy*, 12 January 2015, page 3

generation information should be accessible and updated routinely but this does not mean prices will ever be known with 100 per cent accuracy in a dynamic market, nor should they.

It has been previously noted by market participants that there is less transparency around late running decisions by unscheduled generators which have more significant impacts as these bids are not captured in pre-dispatch. This can result in significant deviations from pre-dispatch which undermine generator and demand response decisions.

Likewise, late changes in demand can result in price outcomes and fuel usage that may not have occurred if demand had stayed constant for a set period of time. By the logic presented is it appropriate to suggest that allocative efficiency will be maximised if demand and supply were fixed at some point in advance of future consumption? Clearly, this is a preposterous idea and moves further away from generation meeting demand based on consumers' instantaneous needs; in other words, a dynamic market.

Five minute dispatch, thirty minute settlement

GDFSAE believes much of the concern made about late rebidding relates to the unfortunate impact on past dispatch intervals given the thirty minute settlement arrangements. GDFSAE suggests that in an ideal world where dispatch and settlement were aligned little would be made of late rebidding as there would be no differentiation between bidding in advance of any specific interval.

While GDFSAE maintains theoretical support for alignment of dispatch and settlement it is understood that the costs of such a change would be significantly in excess of the benefits that may accrue. Likewise, GDFSAE is unsure that contractual positions or prices would be responsiveness to a move to five minute settlement given contract duration is already based on longer timeframes and managed on a continuous basis.

Position on options presented

GDFSAE remains of the view that the catalyst for the proposed rule was questionable and a failure to succeed during the 'Stanwell case' shouldn't be considered sufficient to advance a weak case for reform.

Rewarding flexibility, even via late rebidding, encourages investment in plant that can quickly respond to market developments. Introducing gate closures and more artificial restrictions on rebidding will work against investment incentives for fast start plant and will likely under reward running generation, whether base load or otherwise.

Only in a world in which all technology has the same level of responsiveness and there were no issues arising from the difference between dispatch and settlement would the issues outlined be resolved. This is critical as technological differences are the result of investment choices whereas five minute dispatch, thirty minute settlement is a market design and systems outcome. Yet both issues seem to conflate equity concerns around market access with market efficiency in the face of late rebidding.

While the AEMC's analysis is interesting, the AEMC is misguided if it believes it can pick where any trade-off lies by precisely structuring gate closure. For this reason alone, GDFSAE is strongly opposed to a gate closure that limits the ability of participants to rebid or attempts to differentiate between good and bad rebidding. Such an arrangement will have a chilling effect on spot market traders and will drive under recovery of scarcity rents.

GDFSAE notes the range of international examples given; however, these are not indicative of more efficient outcomes but merely observations of different markets. It is understood that some markets gate closures reflect software limitations at market start rather than any deliberative decision to utilise a gate closure to maximise efficiency, whereas others are more reflective of the regulatory environment than best practice. Drawing on the regulatory experiences on GDFSAE's international business line suggests that AEMC should be cautious in highlighting international practices.

As it relates to the range of changes to the good faith provisions within the National Electricity Rules, GDFSAE supports the view that given the questionable application of the existing provisions that removing the requirements from the good faith provisions for there to be a change in material conditions and circumstances would be appropriate.

The critical feature of bids and rebids is that a generator can genuinely act upon those bids if they are dispatched. The justification of reasons for rebids is a diversion from the more important issue of ability to follow dispatch instructions and honour bids and rebids. A general good faith obligation will still result in action where evidence shows generators cannot honour their bids or rebids; however, it removes the subjectivity and confusion which currently exists and is not justified on efficiency grounds.

A behavioural statement would be much the same as a general good faith obligation but would involve many months of legal debate between market participants and governments and would likely be co-opted to achieve a number of objectives that do not strictly adhere to the National Electricity Objective. GDFSAE does not believe the AEMC should progress this concept any further.

With a revised good faith provision the issue of the AER being capable of assessing the ability of a generator to honour its bids and rebids would then be central to the enforcement of the provision. There is little to suggest that the AER does not have sufficient powers to do so; however, this matter may require further discussion.

An additional step, which is not likely to deliver additional efficiency, but may help the AER, is to better target information requirements placed on generators. GDFSAE suggests the information accompanying rebids be refocused on technical capability and not market conditions (i.e. an attestation regarding technical capability by the trader). This would reduce the need for the AER to collect information it never uses and for generators to undertake administration of little value.

Notwithstanding the above, GDFSAE notes that it may be appropriate to question whether some of the issues arising in this discussion reflect the attempt, which is now institutionalised within governance structures, to continually and on every issue treat the electricity sector as manifestly different to wider industry. In that sense, if the prevailing mindset was to only advance special treatment by exception then it could be suggested the general market misconduct provisions relied upon throughout industry could be applied and would be sufficient.

Conclusion

The options paper provides a detailed examination of the issue and reflects the AEMC's decision to respond to the proposed rule by broadening the examination of rebidding to well beyond the scope of matters raised by the proponent.

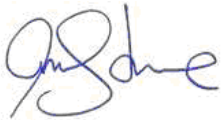
This is unsurprising given the interest in rebidding remains disproportionate to the impact it has on the market, in practice or theory, and that concerns with rebidding are largely driven by a misunderstanding of the importance of rebidding in the market or the role of scarcity pricing.

While GDFSAE would much prefer AEMC resources be directed towards issues of more importance and that have a greater bearing on the performance of the market it is hoped that given the depth of analysis contained within the options paper, supplemented by stakeholder feedback, it will enable the issue of rebidding to be finally put aside.

GDFSAE supports revision of the good faith provisions to form a general good faith obligation and suggests that this may be best accompanied by refined information requirements focussed on technical capability by generators at times of rebids to assist the AER in the enforcement of a general good faith provision.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 03 9617 8415

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jamie Lowe', is positioned below the closing text.

Jamie Lowe
Head of Regulation