

Draft Decision Rebidding and Technical Parameters Guideline

December 2016



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Public consultation process

The Australian Energy Regulator AER is required under 3.8.3A, 3.8.19 and 3.8.22 of the National Electricity Rules ('Electricity Rules') to follow the Rules Consultation Procedures set out in clause 8.9 in developing and issuing this Guideline.

The process being followed by the AER is:

- notice of commencement of consultation and invitation for submissions –
 21 September
- publication of this draft decision 5 December 2016
- Draft decision submissions due 16 January 2017
- publication of AER's final Guideline February 2017.

This draft report and associated revised Guideline constitutes the second step in the AER's consultation process.

Submissions should be sent electronically to: aerinquiry@aer.gov.au with the following title in the email: Rebidding and Technical parameters guideline review. We prefer that all submissions sent in an electronic format are in Microsoft Word or other text readable document form.

Alternatively, submissions can be sent to:

Peter Adams

General Manager - Wholesale Markets

Australian Energy Regulator

GPO Box 520

MELBOURNE VIC 3001

Please note that submissions provided electronically do not need to be provided separately in hard copy.

Submissions received will be made available on the AER's website (www.aer.gov.au).

The closing date for submissions is 16 January 2017.

Enquires about this paper, or about lodging submissions, should be directed to aerinquiry@aer.gov.au.

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1 Summary

This draft report and the associated revised Rebidding and Technical Parameters Guideline has been informed by submissions on the initial draft for consultation paper published by the AER on 21 September 2016.

Submissions were due by close of business 7 November. Submissions were received from:

- The Australian Energy Council (received 8 November)
- AGL (received 9 November)
- Energy Australia (received 9 November)
- CS Energy (received 16 November)
- Origin Energy (received 17 November)

Issues raised in these submissions have been considered in the preparation of this draft report. The AER has amended the draft Guideline in response to issues raised in the submissions. The attached revised draft is provided in 'mark-up' to enable interested parties to identify changes made.

The AER notes that all submissions to the first draft report were received after the deadline of 7 November. We ask that submissions to the attached draft be received on or prior to the deadline of 16 January 2017.

2 Issues raised in submissions

2.1 Form of the rebid

Clause 3.8.22A(d) requires a relevant participant to rebid as soon as practicable after it becomes aware of the change in the material conditions and circumstances on the basis of which it decides to vary its bid. The AER may request further information in respect of "time of becoming aware" for any rebid - clause 3.8.22A applies to all rebids, not just those made in the late rebidding period.

In our consultation draft we proposed that relevant participants could provide a new time as part of their rebid reason. We also proposed a change to the order of the components of the rebid reason to streamline data collection and reduce error rates. All submissions were opposed to these proposals, essentially on the basis that they would result in costs associated with system changes and consequent training, and would be disruptive.

We also note that submissions considered that the AER did not have power pursuant to the National Electricity Rules (Electricity Rules) to request participants to provide the "time of becoming aware". In response to this we note that clause 3.8.22(c)(3) provides that market participants must provide to the AER, upon written request, in accordance with the Guideline, such additional information to substantiate and verify the reason for a rebid as the AER may require from time to time.

The AER considers that providing the "time of becoming aware" as part of a rebid reason would be the most efficient means for participants to provide, and the AER to receive, the relevant information. The alternative is for the AER to request participants to provide this information in writing each time we seek to determine whether or not a rebid has been made "as soon as practicable". Relevant participants would be required to respond to the AER's request in writing, which may be more onerous (and in the long term more expensive) than providing the "time of becoming aware" as a regular ("business as usual") component of a rebid reason.

We consider that changing the order of the components of the rebid reason would reduce data collection error rates. Specifically, positioning the category code at the beginning of the rebid reason would separate it from the other non-numeric component (the brief, verifiable and specific reason) thereby eliminating the current risk that the category code could be mistaken for part of the brief verifiable and specific reason. Again, this would reduce the requirement for relevant participants to respond to the AER in writing in response to requests for further information or clarification.

Rule changes generally result in costs to participants - most often these costs are associated with consequential changes to IT systems and staff training. The question here is whether the new regulatory requirements could be met most cost effectively through simple one off system changes or by responding to more ad hoc information requests from the AER. It is likely that the incremental cost to participants associated with making system changes to

change the order of the components of a rebid at the same time as incorporating the "time of becoming aware" would be relatively small.

We consider that the efficiencies participants would gain from incorporating the "time of becoming aware" as a standard component of a rebid reason and changing the order of the components of a rebid reason would outweigh the one off short term costs associated with implementing the changes. In light of this, at this stage the AER proposes to maintain the changes to the form of the rebid outlined in the consultation draft. To this end, no changes have been made to the relevant section in the attached draft.

2.2 Market ancillary services

The AER removed the following paragraph from the guideline in relation to market ancillary services:

The AER is cognisant of the practical difficulties of ensuring that the exact technical characteristics of plant at any point in time are reflected in bids precisely. Accordingly, it is not expected that participants should constantly rebid to update minor variations in plant characteristics. However, it is expected that more significant variations would be updated quickly.

The Australian Energy Council (AEC), AGL and Origin raised concerns that removing the above paragraph would require participants to continuously rebid to account for minor variations in plant output. CS Energy also raised issues in relation to ancillary services.

The AER acknowledges participants' concerns. Our response is that our <u>Compliance and Enforcement Statement of Approach</u> (Statement of Approach) details our approach to compliance and the enforcement options available to us and sets out the criteria we apply when exercising our discretion regarding enforcement action. Matters are assessed on a case-by-case basis with all relevant circumstances being considered, including those outlined in our Statement of Approach, which we may amend from time to time.

Ultimately responsibility rests with businesses to meet their obligations under the national energy laws. We encourage businesses to continuously review the effectiveness of their compliance policies, systems and procedures to ensure that they are complying with their obligations.

The AER does not consider it to be appropriate (or possible) to provide an exhaustive list of the circumstances when enforcement action is warranted. In light of the above, the text has not been reinstated.

2.3 Legal standing of the document

To make the status of the Guideline clear, we included the following disclaimer in our consultation draft:

The information in this guideline is for general guidance only. It does not constitute legal or other professional advice, and should not be relied on as a statement of the law in any

jurisdiction. Because it is intended only as a general guide, it may contain generalisations. Relevant participants should obtain professional advice for specific concerns.

The AEC raised concerns that the above calls into question which parts of the guideline constitute general advice and which parts are issued in accordance with the relevant sections of the Electricity Rules.

The AER acknowledges that in referring to the Guideline as 'general guidance only', the clause could result in some confusion as to the status of the Guideline. In light of this, the AER has amended the relevant text in the Overview (see marked-up changes at section 4).

2.4 Confidential information

The AEC raised concerns in relation to the interaction between the Electricity Rules and the ACCC/AER Information Handling Procedures (Information Handling Procedures). Specifically, the AEC raised concerns that the consultation draft refers to a separate document (Information Handling Procedures) for handling confidential information claims in respect of clauses 3.8.22(c)(3) and 3.8.19(b)(2). The AEC sought clarification in the guideline on how this approach will remain consistent with the Electricity Rules requirement that the Guideline will be produced in accordance with the Rule Consultation Procedures.

The AER acknowledges that documents such as the Information Handling Procedures can be subject to change. The text in section 10 has been amended to reflect this (see marked-up changes).

2.5 Testing

It its submission Energy Australia stated that the consultation draft Guideline implies that the AER expects participants to provide more than an inflexible bid and corresponding rebid reason when bidding inflexible during a test.

The AER's position on this issue has not changed from the current (2009) Guideline - that is, when a relevant participant submits an inflexible bid or rebid during testing, the brief verifiable and specific reason should include a description of the test being conducted, the reason why the inflexibility is required and the expected duration of the test. Changes have been made to section 5.2.4 to remove any ambiguity (see marked up changes).

2.6 Change to forecast

Under the heading of *Information to be provided* (section 3.2) in the current (2009) version of the Guideline it says, amongst other things, the following information should be included in a rebid reason:

• if a change to an AEMO forecast is the reason for a rebid, where possible, the reason should provide the original forecast and the revised forecast.

This requirement was carried through in the consultation draft Guideline. In its submission, Energy Australia indicated that it is not always possible to provide the original forecast in a rebid reason, and suggested changing the word "possible" to "reasonable". In response to

this the AER notes that in our experience, participants regularly provide the original and revised forecast if a change to an AEMO forecast is the reason for a rebid.

Having said that, the AER agrees with Energy Australia that "reasonable" may be a more appropriate word in this context than "possible", and has, therefore, agreed to change the relevant text accordingly. This can be seen in the marked-up changes at section 6.2.1 in the attached draft Guideline.

2.7 Ramp rate guidance

Energy Australia raised concerns that the description in the consultation draft Guideline regarding minimum ramp rate requirement calculations for aggregated units may be inconsistent with the Electricity Rules requirements. The relevant text has been amended (marked up at section 5.1) to remove potential ambiguity.

2.8 "See log" references in a rebid reason

The AEC considered that the consultation draft was unclear in relation to the intent of "see log" references, claiming that the draft may require traders to retrospectively enter information.

The AER's response to this is that the intent of the "see log" references has not changed from the current (2009) Guideline. To this end, the language has been amended to reflect that in the current (2009) Guideline (see marked-up text in section 6.2.1).

2.9 Requirement for a rebid to be made "as soon as practicable"

Clause 3.8.22A(d) requires a relevant participant to make a rebid as soon as practicable after becoming aware of the change in material conditions and circumstances on the basis of which it decides to vary its dispatch offer or dispatch bid.

We introduced text in the consultation draft Guideline to make it clear that we could not state in advance the time frame that would satisfy the obligation on a relevant participant to make a rebid as soon as practicable.

However, the consultation draft did say the following:

It is clear however, that the phrase means that a relevant participant must make a rebid as soon as the circumstances permit, and that delay solely due to the convenience of the relevant participant is unlikely to be a relevant consideration.

The AEC said that the above language mischaracterised a complex problem and suggested replacing the final phrase in the above paragraph with the following:

....delay solely or primarily to provide commercial advantage to the relevant participant is likely to be a primary consideration.

The AEC points out in its submission that:

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The issue of concern identified in the Rule change process was the potential for deliberately delayed rebids to preclude or reduce competition.

In this context the AER notes that in its final decision, the AEMC considered the harm arising out of deliberate late rebidding, including the impact of price shocks on investment decisions that would be made by large industrial users and, more relevantly, the risk that higher cost generation may be dispatched ahead of lower cost generation.

The AEMC states at page iii of its National Electricity Amendment (Bidding in Good Faith) Rule Amendment Final Rule Determination:

Competitive demand response may not have sufficient time to change output. The cost to supply electricity will then be higher than it would otherwise have been. The reduced transparency and predictability of spot prices may limit participation in the market, damaging competitive pressures on price outcomes.

Similarly, on page 37 of the Final Rule Determination, the AEMC notes:

It is not in the long term interests of consumers for generators to deliberately delay in making rebids in the knowledge that other participants will have insufficient time to undertake a competitive response.

Therefore, we consider that, whether the delay is for convenience or for commercial advantage, the impact on the competitive response will be the same. To this end, we have decided to maintain the reference to "convenience" while incorporating a reference to "commercial advantage" as suggested by the AEC. This is reflected in the marked-up changes in section 6.3 of the attached revised Guideline.

The AER considered it important to remind participants why it is important to rebid as soon as practicable, and has therefore added this information to the Guideline.

2.10 Error rebids

The current (2009) version of the Guideline discusses what action relevant participants are expected to take in the event of making a material error in a bid or rebid. In their submissions the AEC and Origin raised the issue of errors.

The AER removed the reference to "materiality" in the consultation draft Guideline to make it clear that participants should follow the same process regardless of the error. This process is reflected in the consultation draft, which says in the event that the relevant participant becomes aware of an error in the bid or rebid reason they have provided to AEMO and there is sufficient time to lodge another (correcting) rebid, that correcting rebid should be submitted under the category code of "E" for error.

The consultation draft Guideline also said that when the relevant participant detects an error without there being sufficient time to make correcting rebid, the relevant participant should detail the error in a log book entry and alert the AER within two business days of finding the error.

This is consistent with what we observe in practice, where participants regularly self-report as part of their daily review of the previous day's rebidding activity.

To make it clear that we take into account all self-reports in considering whether to take further enforcement action, whether it be via a correcting rebid or through other methods (most often an email to aerinquiry@aer.gov.au within two business days of becoming aware of the error), we have amended the relevant text in the draft Guideline (see marked-up changes in section 9).

The AER acknowledges participants' concerns. However, as per our Statement of Approach, ultimately, responsibility rests with businesses to meet their obligations under the national energy laws. We encourage businesses to continuously review the effectiveness of their compliance policies, systems and procedures to ensure that they are complying with their obligations.

3 Revised draft Guideline

Amendment Record

Version	Date	Pages
1 D14/34526	Published: 25 September 2009 Date of effect: 1 December 2009	23
2	Published: 2017 Date of effect: xx	XX

4 Overview

The information in this guideline is for general guidance only. This document is a guideline produced in accordance with National Electricity Rules (Electricity Rules) 3.8.3A(g), 3.8.19(b)(2) and 3.8.22(f) and the Rules Consultation Procedures, and also to assist *relevant participants* understand how the AER will exercise its functions in relation to rebidding and technical parameters. It does not constitute legal or other professional advice, and should not be relied on as a statement of the law in any jurisdiction. Because it is intended only as a general guide, it may contain generalisations. *Relevant participants* should obtain professional advice for specific concerns.

4.1 Purpose of this guideline

The AER aims to work with National Electricity Market (NEM) participants to maximise their compliance with their obligations under the national energy framework. The purpose of this guideline is to inform *relevant participants* of our approach to the relevant obligations, including monitoring and enforcing compliance with the Electricity Rules regarding rebidding and technical parameters obligations.

The efficient and secure operation of the NEM depends on the ability to instantaneously match supply and demand of electricity. At the same time, the NEM is a dynamic market, where *Scheduled Generators*, *Semi-Scheduled Generators* or *Market Participants* (*relevant participants*) are able to adjust their offers to reflect changing events, or in response to changing market conditions. These arrangements are designed to ensure system security can be maintained, while still permitting adjustments to offers subject to certain requirements prescribed under the Rules.

The Rules require that if a *bid* or *offer* is amended through a *rebid*, a brief, verifiable and specific reason must be provided to the Australian Energy Market Operator (AEMO). The reason provided will be reviewed by the AER, and assists us to assess compliance with specific clauses of the Rules.

Relevant participants can also limit, amend or rebid their offers on the basis of the physical or technical capabilities of their plant (technical parameters). The ability to make offers in this way is necessary to ensure the plant is operated safely.

Specifically, this guideline is issued pursuant to Rules clauses:

- 3.8.3A(f) and (g) in respect of provision of ramp rates to AEMO.
- 3.8.19(b)(2) in respect of dispatch inflexibilities.
- 3.8.22(c)(3) in respect of rebidding.

4.2 Roles and functions of the AER

The AER has functions and powers which include:1

- Monitoring compliance with the National Electricity Law (Law) and the Rules.
- Investigating breaches or possible breaches of the Law and the Rules.
- Instituting and conducting proceedings in relation to breaches and appeals from decisions in those proceedings.

In exercising these functions and powers we aim to ensure that:

- Our approach is consistent over time.
- Our processes are cost effective for participants and the AER.
- Our activities are transparent.

Our *Compliance and Enforcement - Statement of Approach* (Statement of Approach)² (as amended from time to time) details our approach to compliance, the enforcement options available to us and sets out the criteria we apply when exercising our discretion regarding enforcement action. Matters are assessed on a case-by-case basis with all relevant circumstances being considered, including those outlined in our Statement of Approach.

4.3 Definitions and interpretation

In this guideline the words and phrases presented in *italics* have the meaning given to them in the Rules.

¹ The AER's functions and powers are outlined in Part 3, Section 15 of the National Electricity Law.

² Our Statement of Approach can be found at: http://www.aer.gov.au/publications/corporate-documents/aer-compliance-and-enforcement-statement-of-approach.

5 Bidding and rebidding technical parameters

This section covers bidding and rebidding of technical parameters, including: up and down ramp rates, inflexibilities, and market ancillary services.

5.1 Ramp rates

As part of an energy market *offer*, *relevant participants* are obliged under the Rules to provide AEMO with details of the rate at which the output of the *generator* may vary up and down within five minutes. This is generally referred to as the *generator's ramp rate* and is measured in Megawatts per minute (MW/minute).

Minimum ramp rate requirements are as follows:

- for a scheduled generating unit or semi scheduled generating unit (that is not aggregated), the lower of three per cent of maximum generation or 3 MW per minute, rounded down but no less than 1 MW/minute.
- for a scheduled generating unit or semi scheduled generating unit that is aggregated, the lower of three per cent of maximum generation or 3 MW per minute, rounded down but no less than 1 MW/minute, applied to individual physical units, then summed.
- for scheduled network services and scheduled loads, that is not aggregated,
 3 MW/minute.
- for scheduled network services and scheduled loads that are aggregated, 3 MW/minute applied to individual network services and individual loads, then summed.

All minimum ramp rate requirements are rounded down to the nearest whole number but not less than 1 MW/minute.

The Electricity Rules require that, if a *relevant participant* cannot submit a *ramp rate* of at least the prescribed minimum, it must submit the maximum the relevant *generating unit* can safely attain at that time in an offer, bid or rebid³. The amount of detail that should be provided in the reason to AEMO and the way a plant should bid its *ramp rate* in certain circumstances is outlined below.

5.1.1 Information to be provided

A *relevant participant* may provide a *ramp rate* less than the minimum if it is affected by an event or other occurrence that physically prevents it from attaining the minimum *ramp rate* or makes it unsafe to operate at that *ramp rate*. If a *relevant participant* provides a *ramp rate* that is less than the minimum, it must simultaneously provide AEMO with a brief, verifiable and specific reason for that *ramp rate* being below the minimum. The reason provided to AEMO must relate directly to the occurrence or event that physically prevents it or makes it

Whenever a ramp rate is rebid pursuant to clause 3.8.22 of the Rules, a brief, verifiable and specific reason must be provided, in accordance with this Guideline, regardless of whether the revised ramp rate is above or below the minimum.

unsafe to do so. For the purpose of this guideline, we use the term "technical" to describe this.

The brief, verifiable and specific reason submitted with the ramp rate should include:

- details of the technical issue preventing the *generator* from achieving the minimum ramp rate, and
- the time the technical issue was identified (i.e. the time adduced).

5.1.2 Legal and other operating requirements

Some *relevant participants* are subject to environmental or other legislative constraints on how their plant can be operated. In some cases, this will affect the maximum ramping capability that can be bid by them. In these situations, the *bid* or *rebid* reason should clearly outline the relevant environmental or other legislative constraint.

5.1.3 Ramp rates and standing data requirements

Clause 3.13.3(b) requires all *relevant participants* to provide AEMO with *bid and offer validation data* relevant to their *generating units* in accordance with schedule 3.1 (bid and offer validation data). In addition, clause 3.13.3(b1) requires *relevant participants* with aggregated units to provide AEMO with the *maximum generation* of each individual unit. These clauses are civil penalty provisions.

Bid and offer validation data are the standing data requirements for verification and compilation of dispatch bids and dispatch offers on the trading day schedule. As part of this data, relevant participants are required to provide AEMO with the unit's maximum ramp rate.

Under clause 3.8.3A(h), *relevant participants* with a *maximum ramp rate* (in accordance with clause 3.13.3(b)) lower than the minimum required, must provide AEMO with a brief, verifiable and specific reason. The *maximum ramp rate* is the *maximum ramp rate* that an item of equipment is capable of achieving in normal circumstances and may be as specified by the manufacturer or as independently certified from time to time to reflect changes in the physical capabilities of the equipment.

The Rules excuse these *relevant participants* from having to attain the minimum *ramp rate* or provide a brief, verifiable and specific *rebid* reason to AEMO each time they rebid their *ramps rate* equal to their *maximum ramp rate* value. While the Rules do not specify how this should occur, the AER considers it to be "best practice" for these participants to outline their particular circumstances in correspondence to AEMO (and provide a copy to the AER at the same time).⁴

However, the Rules still require these participants to submit the *maximum ramp rate* the unit can safely attain at the time of rebidding or the period of the *offer*. If a participant is unable to

⁴ See AER's Request for rule changes - technical parameters, April 2008, p17, available at <u>www.aemc.gov.au</u>

attain its *maximum ramp rate*, it must submit a brief verifiable and specific reason to AEMO relating to the technical reason why the unit cannot meet its *maximum ramp rate*.

The AER may audit the *ramp rates* included in standing data. We expect that standing data that includes below minimum *ramp rates* ought to be supported by evidence such as performance results, manufacturer's specifications or independent certification.

5.1.4 Minimum safe operating level

We consider minimum safe operating level to be the level below which the unit would become unstable, after other technical responses have been exhausted (for example, auxiliary firing). The minimum safe operating level reflects technical and plant safety considerations, not commercial conditions. Plant availability reflecting commercial considerations should still be managed through rebidding of capacity within price-bands.

In instances where a *Scheduled Generator* or *Semi-Scheduled Generator* has reached its minimum safe operating level and cannot safely follow a *dispatch instruction* to vary its output downwards, it should submit a zero down *ramp rate* to AEMO, as long as the zero *ramp rate* can be justified on the basis of a technical limitation.

This approach should be used in preference to submitting an *inflexible bid*, as it provides greater flexibility to ensure the market remains in a *secure operating state*.

As soon as the output of the unit moves materially above the minimum safe operating level, participants must submit a *rebid* to provide a *ramp rate* compliant with clause 3.8.3A of the Rules.

5.1.4.1 Legal and other operating requirements

Relevant participants can be subject to environmental or other legislative constraints on how their plant can be operated. In some cases, this will affect the minimum operating level of the plant.

In these situations, should a zero *ramp rate* or *inflexible offer* or *rebid* be required to meet legal obligations (such as emission limits), a brief, verifiable and specific reason should be submitted that clearly outlines the relevant legal requirement.

5.2 Bidding and rebidding as 'inflexible' (clause 3.8.19)

5.2.1 Overview of requirement

Clause 3.8.19(a) states that the declaration of *inflexibility* must be "due to abnormal plant conditions or other abnormal operating requirements in respect of that *scheduled generating unit, scheduled network service or scheduled load*".

A *generator* that declares itself 'inflexible' is treated outside the normal market arrangements and must be dispatched by AEMO at the volume notified regardless of the price the *generator* offers that capacity. Accordingly, bidding inflexible is an exception to the normal operation of the market.

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Clause 3.8.19(a2) of the Rules requires that the relevant participant not advise AEMO of any inflexibility unless it is unable to follow dispatch instructions in any *trading interval* due to abnormal *plant* conditions or other abnormal operating requirements.

When bidding *inflexible*, a *relevant participant* must provide AEMO with a brief, verifiable and specific reason for the *inflexibility*. The *relevant participant* must also advise AEMO of the removal of the *inflexibility* once it reasonably expects to be able to operate in accordance with *dispatch instructions*.

5.2.2 Abnormal plant or operating requirements

As a general principle, the AER considers that abnormal plant conditions or other abnormal operating requirements to be conditions related directly to the internal operation of the relevant plant. An exception to this principle is where another law or licensing requirement requires that plant be operated in a certain manner. The AER considers that this could amount to abnormal operating requirements. We would encourage *relevant participants* to contact us and AEMO to discuss the management of these requirements.

5.2.3 Information to be provided

There are two requirements on *relevant participants* to provide information in relation to *inflexible bids*. First, under clause 3.8.19(b)(1) of the Rules, *relevant participants* must provide AEMO with a brief, verifiable and specific reason for the *inflexibility* at the same time as it advises AEMO of the *inflexibility*. Second, under 3.8.19(b)(2) of the Rules, *relevant participants* must provide to the AER, upon written request, in accordance with this guideline, such additional information to substantiate and verify the reason for such *inflexibility* as the AER may require from time to time.

The information provided to AEMO at the same time as an *inflexible bid* is submitted should be sufficiently comprehensive to identify the nature of the reason for the *inflexibility*. This should be directly related to the change associated with physical conditions (for example, control system malfunction or changed hydrological conditions).

Specifically the *inflexible bid* or *rebid* should include:

- details of the abnormal plant conditions or other abnormal operating requirements that require the plant to be *inflexible*.
- the time the abnormal plant conditions or other abnormal operating requirements were identified.

5.2.4 Testing

Relevant participants must submit an *inflexible bid* in circumstances where testing of plant or equipment means they are unable to follow *dispatch instructions* due to abnormal plant conditions or other abnormal operating requirements.

In situations where plant or other equipment requires testing an *inflexible bid* may be required. In such cases where a relevant participant submits an *inflexible bid* or *rebid* during

<u>testing</u>, the brief, verifiable and specific reason submitted with the *bid* or *rebid* should include:

- a description of the test being conducted.
- why the inflexibility is required.
- the expected duration of the test.

In order for system security to be appropriately managed, *relevant participants* should advise AEMO as soon as they recognise the need for a test that requires an *inflexible bid*.

5.3 Market ancillary services

Market ancillary services assist AEMO to manage system security. In accordance with clause 3.8.7A, offers for market ancillary services must contain:

- an incremental MW amount for each of the 48 *trading intervals*, distributed across up to 10 price bands with an *enabling price* for each *price band*.
- the response breakpoint.
- the upper and lower enablement limits.
- the response capability.

The final three items on this list comprise the technical parameters of the *offer* and provide the maximum amount of *ancillary service* that can be provided for a given MW output level for the *generating unit* or *load*.

Clause 3.8.7A(k) requires *ancillary services* providers to be capable of meeting the market ancillary service specification (MASS) at all times. According to Section 1.5 of AEMO's MASS where there is a condition that results in changed availability and capability of the *market ancillary service*, the *market participant* must *rebid* to reflect changes to the *market ancillary service* availability and capability in the *central dispatch process*. This includes services that are aggregated across multiple *connection points*.

Clauses 3.8.7A(I) and 3.8.7A(m) of the Rules require that the technical parameters of *market ancillary service offers* represent the technical characteristics of the *generating unit* or *load* at the time of *dispatch*. Where the technical parameters of *market ancillary service offers* are being rebid, the reason provided should relate directly to the technical characteristics that have altered since the initial *market ancillary service offer*. This is required as, in order to be compliant with 3.8.7A(I), the *initial offer* must have represented the technical characteristics of the ancillary service generating unit or ancillary service *load*. Therefore, if a *rebid* is submitted, there necessarily must have been a change in technical characteristics.

If the physical or technical limitations of a unit, *load* or facility change as a result of a change in conditions, the *relevant participant* should rebid to avoid its latest *offer* resulting in a *dispatch instruction* that the unit, *load* or *facility* is unable to follow.

6 Rebidding

6.1 Overview of requirement

At the same time a *relevant participant* submits a rebid to AEMO, clause 3.8.22 of the Rules requires it to provide the time at which the events or other occurrences adduced by the *relevant participant* as the reason for the *rebid* occurred in addition to a brief, verifiable and specific reason for the *rebid*.

In circumstances when a *relevant participant* needs to submit a *rebid* prior to all of the information outlined above being available, the *relevant participant* should include all available information in the *rebid* reason and record further information in the log book as it becomes available. Should further rebids be required, the additional information obtained since the initial *rebid* should be included.

To signal that the *rebid* was based on incomplete information, in addition to the brief, verifiable and specific reason for the rebid, the *rebid* reason should indicate that further information will beis logged, in the form of see log or "SL". The AER may request the information log at a later stage to substantiate and verify the reasons for the *rebid*.

6.2 Information to be provided

6.2.1 Information to be provided in a rebid reason

Detailed *rebid* reasons help the AER to substantiate and verify the reason provided, thereby reducing the need to seek further clarification from *relevant participants* after the event. It is also important that *relevant participants* maintain high quality detailed records, including trading logs, and contemporaneous records in respect of *rebids* made in the *late rebidding period*.

The information should include:

- the event(s) or other occurrence(s) stated by the relevant participant as the reason for the rebid.
 - o *rebids* can be submitted in response to a series of events, or a number of different forecasts. In these situations, details of the most significant event in the series should be provided, with a note that further information is available from the log book, in the form of "see log" or "SL".
 - One single brief, verifiable and specific *rebid* reason can be included for multiple units as part of a portfolio *rebid*. If different reasons for rebidding multiple units within a portfolio are being adduced as the reason for the *rebid*, then separate *rebids* should be submitted with different *rebid* reasons.
- the time the event occurred ("time adduced"). This is the time at which the relevant
 event(s) or occurrence(s) that the relevant participant cited as the reason for the rebid,
 occurred. This should be the time at which the most significant event in the series

occurred. *Relevant participants* should record further information in their log book and include "see log" or "SL" in the *rebid* reason.

- the time the relevant participant first became aware of the change in material conditions and circumstances on the basis of which it decides to vary its dispatch offer or dispatch bid. Again, this should be the time of becoming aware of the most significant event in the series. Relevant participants should include a note that further information is available from the log book in the form of see log, or SLrecord further information in their log book and include "see log" or "SL" in the rebid reason.
- where <u>if</u> the event relates to a revised forecast produced by AEMO, a description of the forecast type and when it was produced should be included (for example, by providing the time of the relevant 5-minute or 30-minute price or demand forecast).
- if a change to an AEMO forecast is the reason for a *rebid*, where possible reasonable, the reason should provide the original forecast and the revised forecast.
- if the event relates to technical plant conditions, the information provided to AEMO should include the time the condition was identified and a brief, verifiable and specific explanation of that condition.

6.2.2 Information to be included in a contemporaneous record

The Rules require *relevant participants* to, upon written request from the AER, provide contemporaneous records made to substantiate and verify the reason for a *rebid* submitted in the *late rebidding period*. Clause 3.8.22(ca) provides that the following must be included in the contemporaneous record for a rebid made in the *late rebidding period*:

- the material conditions and circumstances giving rise to the rebid.
- the Generator's or Market Participant's reasons for making the rebid.
- the time at which the relevant event(s) or other occurrence(s) occurred.
- the time at which the *Generator* or *Market Participant* first became aware of the relevant event(s) or other occurrence(s).

In respect of the reasons for making the *rebid*, we expect *relevant participants* to include more detailed information in the contemporaneous record than that provided in the *rebid* reason. The relevant times recorded in the record should be clearly attributed to the times at which the relevant event(s) or other occurrence(s) occurred, and the time at which the *relevant participant* first became aware of the relevant event(s) or other occurrence(s), respectively.

Given the ability to provide more detailed information in the contemporaneous record, we would expect that if there are multiple triggers leading up to a *rebid*, then times and details of each of these triggers should be recorded.

6.3 Requirement to rebid as soon as practicable

Clause 3.8.22A(d) requires a *relevant participant* to make a *rebid* as soon as practicable after becoming aware of the change in material conditions and circumstances on the basis of which it decides to vary its *dispatch offer* or *dispatch bid*.

To reach an efficient outcome, the competitive process relies on transparency and predictability. In the context of a decentralised dispatch market such as the NEM, relevant participants who deliberately delay rebidding (after they have already made a decision to do so) could have a harmful effect on this process. This is because such delays limit the time competitors have to respond, which may lead to unexpected high price outcomes. Ultimately this may inflate the prices of hedge products, which may in turn filter down to end consumers. In summary, deliberately delaying rebidding for convenience or commercial gain is ultimately not in the long term interest of consumers.

It is not possible to state in advance the time frame that will satisfy the obligation on a *relevant participant* to make a *rebid* "as soon as practicable", as this will depend on the surrounding facts and circumstances in which a *rebid* is made. It is clear however, that the phrase means that a *relevant participant* must make a *rebid* as soon as the circumstances permit, and that delay solely <u>or primarilydue to for</u> the convenience of, <u>or to provide</u> <u>commercial advantage to</u>, the *relevant participant* is unlikely to be a relevant consideration.

6.4 Form of rebid

Participants have up to 500 characters in which to submit a brief, verifiable and specific reason and relevant times to AEMO at the same time they submit a rebid. The rebid should be in the following general form:

Category {space} HHMM1 {space} HHMM2 {space} DDD...D

Where:

Category is either P for a plant or physical change, A for a AEMO forecast or dispatch change, F for a financial or commercial change or E for a *rebid* to address an error.

HHMM1 Is the time, in 24-hour format, when the *relevant participant* becomes aware of the change in material conditions and circumstances on the basis of which it decides to vary its *dispatch offer* or *dispatch bid*.

HHMM2 is the time, in 24-hour format, of the event(s) or other occurrence(s) adduced by the *relevant participant* as the reason for the rebid occurred.

DDD...D is a verifiable description of the events or occurrences that explain the *rebid*.

(Where appropriate, *relevant participants* should provide before and after data for factors that assist in explaining the reason for the *rebid*).

7 Supervisory control and data acquisition (SCADA) inputs

Relevant participants provide real time information about their plant capability (in particular ramp rates and regulation FCAS enablement limits) through the SCADA system. This information is in addition to the values contained in the relevant participant's bid or offer. The AEMO dispatch process uses the most constraining of the SCADA and the offered values.

In situations where a material difference emerges between SCADA values and *bid* or *offer* data, a *rebid* containing a brief, verifiable and specific rebid reason should be submitted, to bring the *bid* or *offer* in line with the SCADA value. For clarity this applies when the SCADA value is more constraining than that specified in the *relevant participant's bid* or *offer*.

8 Information requests by the AER

8.1 Overview of requirements

Under clauses 3.8.3A(f) and (g), 3.8.19(b)(2) and 3.8.22(c)(3) of the Rules, the AER may request additional information to substantiate and verify the reason for: submitting a ramp rate below the required minimum value; submitting an inflexible bid; and a rebid (including any record made in respect a rebid submitted in the late rebidding period), respectively.

The AER can also seek documents and information under section 28 of the Electricity Law.

8.2 Procedure for requesting further information

Under clauses 3.8.22(c)(3), 3.8.3A(f) and (g) and 3.8.19(b)(2), we may require, upon written request, *relevant participants* to provide additional information in accordance with this guideline.

Under clause 3.8.22(c)(3), we may request additional information to substantiate and verify the reason for a *rebid* (including any record made under paragraph (ca) - "late rebidding contemporaneous record").

Clause 3.8.3A(f) allows us to request additional information from *relevant participants* to substantiate and verify *rebid* reasons for *ramp rates* below the minimum required.

In respect of clause 3.8.19(b)(2), we may seek additional information in accordance with clause 3.8.19(b)(2) to ascertain the nature of the abnormal plant conditions or other abnormal operating requirements to confirm that the *inflexible bid*, or *rebid*, was submitted in accordance with clause 3.8.19.

Our written request will clearly set out the information and level of detail required from *relevant participants*. In addition, we will allow *relevant participants* a reasonable time to provide a detailed response.

8.2.1 Contemporaneous records

We consider it sufficient for participants to record the location of multiple sources of information, and broadly what was happening at the time, without extracting and presenting the information in a single document.

9 Information provided to AEMO in error

As discussed in our Statement of Approach, we encourage *relevant participants* to aim to achieve compliance with the national energy laws. We seek to demonstrate proportionality and procedural fairness in our enforcement actions.

If a *relevant participant* becomes aware of an error in the *bid* or *rebid* reasons they have provided to AEMO and there is sufficient time to lodge another (correcting) *rebid*, a *rebid* should be submitted under the category of "E" (for error). If a large number of corrected *rebids* are submitted, the AER may seek further information regarding the source of the errors.

However, when errors are detected without sufficient time for a correcting *rebid* to be submitted, *relevant participants* should detail the error in a log book entry.

Relevant participants should alert the AER within two business days of finding the error.

Consistent with the AER's Statement of Approach, an important consideration of whether to take further enforcement action, irrespective of whether a rebid was made in relation to the error, is whether the relevant participant has cooperated with the AER in relation to the breach. For example, by providing evidence that the AER was otherwise unaware of, and taking prompt and effective action to rectify the breach and avoid a recurrence. The AER may consider whether a relevant participant has cooperated fully with the investigation (for example, providing full and frank disclosure of documents and other evidence in relation to the relevant conduct).

10AER's procedures for handling confidential information claims

The AER must provide information provided to it in accordance with paragraphs 3.8.22(c)(3) and 3.8.19(b)(2) (additional information to substantiate and verify the reason for a *rebid* or *inflexibility*, respectively) to *relevant participants* who request the information, except to the extent that the information can be reasonably claimed to be confidential.

In accordance with clause 3.8.22(e)(2), this guideline must include procedures for handling confidential information claims in respect of clauses 3.8.22(c)(3) and 3.8.19(b)(2). The <u>AER will apply the ACCC/AER Information Policy</u>: collection and disclosure of information (Information Policy)⁵ <u>as amended from time to time. The Information Policy</u> sets out the general policy of the Australian Competition and Consumer Commission and the AER on the collection, use and disclosure of information (including confidential information).

⁵ The ACCC/AER Information Policy can be found at: https://www.accc.gov.au/publications/accc-aer-information-policy-collection-and-disclosure-of-information