



# **Rebidding and Technical Parameters Guideline**

## **Final Decision**

November 2019

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# 1 Introduction

Where a rebid occurs the reasons for it must be provided to the Australian Energy Market Operator (AEMO). The Rebidding and Technical Parameters Guideline (guideline) sets out the information that must be provided in support of these rebid reasons and also covers some areas related to the bidding and rebidding of technical parameters. The previous version of the guideline was published in February 2017, with the guideline having first being published in December 2009.

In November 2017, the Australian Energy Market Commission (AEMC) made a final rule to change the settlement period for the electricity spot price from 30 minutes to five minutes, starting 1 July 2021 (5MS Rule change). As part of this rule change, the AER is required to, by 1 December 2019, amend and publish changes to guidelines maintained under clause 3.8.22 of the National Electricity Rules (the Rules) in respect of rebidding to take effect from the commencement of 5 Minute Settlement (5MS).<sup>1</sup> In developing the changes to the guideline, we must follow the rules consultation procedures, set out in clause 8.9 of the Rules.

On 18 September 2019, we published a draft guideline and draft decision that sought stakeholder comment on our proposed approach for amending guidance with respect to rebidding to give effect to the 5MS Rule change. Submissions closed on 16 October 2019 and we received three submissions. These submissions have been taken into account in developing this final decision and guideline.

This final decision should be read alongside our *rebidding and technical parameters guideline*. For the purposes of the rules consultation procedures, the final decision details our conclusions, as well as the procedure we followed in considering the issues, our underlying reasons, summaries of issues raised by stakeholders and our responses.

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<sup>1</sup> National Electricity Rules, clause 11.103.2(d)(2).

## 2 Amendments for 5 Minute Settlement

On 28 November 2017, the AEMC made a final rule to change the settlement period for the electricity spot price from 30 minutes to five minutes, starting 1 July 2021 (5MS Rule change).<sup>2</sup> The 5MS Rule change, aligns operational dispatch and financial settlement at five minutes. This will reduce the time interval for financial settlement in the national electricity market from 30 minutes to five minutes.

As part of the 5MS Rule change, the AER has been required to amend and publish the guidelines maintained under clause 3.8.22 (the rebidding and technical parameters guideline) giving effect to the amending Rule, by 1 December 2019, to apply from the commencement of 5 Minute Settlement.<sup>3</sup>

Due to the nature of the 5MS Rule change, any amendments made to the guideline as part of this review will not apply until the commencement of five minute settlement on 1 July 2021. With this in mind, we have limited our review of the guideline to the amendments required to give effect to the 5MS Rule change.

While the changes that 5MS introduces to the market are significant, our amendments on our guidance in rebidding in the rebidding and technical parameters guideline required only minor amendments in order to give effect to the amending Rule.

### 2.1 Other transitional amendments

In addition to amending the guidelines maintained under clause 3.8.22 in respect of rebidding, the AER has also been required to amend and publish by 1 December 2019:

- The methodology relating to the distribution loss factor in accordance with clause 3.6.3.
- The criteria the AER will use to determine whether there is a significant variation between the spot price forecast and the actual spot price in accordance with clause 3.13.7.<sup>4</sup>

The AER does not propose to publish a distribution loss factor methodology to accommodate the 5MS Rule change.

We note that the significant variation between spot price forecast and actual spot price criteria required no amendments to give effect to the 5MS Rule change.

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<sup>2</sup> <https://www.aemc.gov.au/rule-changes/five-minute-settlement>

<sup>3</sup> National Electricity Rules, clause 11.103.2(d)(2).

<sup>4</sup> [AER criteria for significant variations between forecast and actual prices](#)

## 3 Consideration of issues raised in submissions to the draft guideline

In response to the draft guideline and draft decision, we received submissions from:

- AGL Energy
- EnergyAustralia
- Australian Energy Market Operator (AEMO)

The issues raised in submissions and our final decision and reasoning is outlined below.

### 3.1 Form of a rebid

Submissions from AGL Energy and EnergyAustralia sought clarity on the amendments for section 3.4 including the intent of the proposed changes and what relevant participants are required to provide in a rebid under the Rules.

As part of the transition to 5 minute settlement, AEMO is changing the bid/offer submission format to apply from the commencement of five minute bidding. In our draft amendments to the guideline (sections 2.1.1 and section 3.4), we clarified our guidance to accommodate AEMO's amendments to procedures.

Below we have responded to specific issues raised in submissions with respect to the issues raised with section 3.4 Form of Rebid.

#### 3.1.1 Clarity on the intent of the new format

EnergyAustralia sought clarity on the intent of the proposed changes. The intention of the amendments to section 3.4, as explained in the draft decision, is to seek to improve guidance by explicitly indicating:

- what information relevant participants must provide in a rebid in accordance with the Rules; and
- what field(s) this corresponds to in AEMO's new bid/offer submission format that is being implemented as part of the system changes for five minute bidding.

#### 3.1.2 'decisionTime' field

AGL Energy raised concerns that the 'decisionTime' field is only likely to cause confusion and lead to error. However, as each piece of information will be submitted in a separated field with AEMO's proposed new bid/offer submission format, the AER does not consider that the inclusion of this field will lead to errors.

Clause 3.8.22A(d) requires relevant participants to *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*.

The time a participant makes the decision to change their position is important in determining the relevance of their position in the market. The information included in the 'decisionTime' field will therefore be relevant information in assessing compliance with clause 3.8.22A(d).

Additionally this field ('decisionTime') has been included in AEMO's proposed new bid/offer submission format for five minute bidding, which our guideline now reflects.

### **3.1.3 Clarity on mandatory fields to be included in a rebid**

In its submission, EnergyAustralia raised concerns that the amendments to section 3.4 'imply that it will now be mandatory to provide 'decisionTime' information for every rebid'. EnergyAustralia also requested that the AER 'more clearly articulate what is required under the Rules and reference the respective clauses within the procedures'.

The draft guideline indicated that relevant participants should include the fields specified in section 3.4 and indicated what fields are mandatory under clause 3.8.22(c)(3) of the Rules. The following sections provide more detail on this.

#### **Information the Rules require to be included in a rebid**

As set out and defined in the draft guideline, relevant participants must include the 'eventTime' and 'reason' fields in a rebid in accordance with clause 3.8.22(c)(2) of the Rules, noting that this clause is classified as a civil penalty provision. Following a suggestion from AEMO regarding the potential for some confusion regarding the use of an asterisk after the title of the relevant fields, we have moved the asterisk to the end of the description of each field in the final guideline.

Further, we note that in the proposed new bid/offer submission format, the 'eventTime' and 'reason' fields are mandatory. The AER considers that the draft guideline continues to be an appropriate level of guidance for relevant participants in respect of fulfilling their obligations under clause 3.8.22(c)(2) of the Rules and we have retained that approach in the final guideline.

#### **Information the AER requests be included in a rebid**

The AER recommends participants submit rebids that include the 'category', 'awareTime' and 'decisionTime' fields as the most efficient means for relevant participants to provide, and the AER to receive, relevant information to be able to substantiate the reason for a rebid. The fact that completion of these fields is recommended but not mandatory has been clarified in the final guideline.

The AER notes that under clause 3.8.22(c)(3) relevant 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. While the AER is not able to compel relevant participants to provide the 'category', 'awareTime' or 'decisionTime' fields as part of a rebid reason under the Rules, we are permitted to seek that information from relevant participants and the provision of that information in the rebid should reduce the likelihood of further separate enquiry by the AER regarding the circumstances surrounding a rebid.

### **3.1.4 AER imposing additional record keeping requirements**

Both EnergyAustralia and AGL raised that the AER is not able to impose additional record keeping requirements on relevant participants through this guideline. The AER considers that the provision of accurate information in the non-mandatory fields will facilitate our ability to monitor rebidding and should reduce the likelihood of the AER requesting this information via clause 3.8.22(c)(3). We therefore recommend, in the interests of efficiency, relevant participants provide this information in their rebids.

### **3.1.5 Repetition in section 3.4 with section 3.2.1**

AEMO considers that section 3.4 of the guideline covers the same information as section 3.2.1 and could be merged into that section.

Section 3.2.1 specifies the information that a rebid must contain whereas section 3.4 outlines how that information should be presented in a rebid. As such, these sections remain separate. We have removed the paragraph explaining clause 3.8.22A(d) from the end of section 3.4 to reduce any potential repetition and added "(see clause 3.8.22A(d))" at the end of the description for 'decisionTime'.

## **3.2 Amendments related to the change in the number of trading intervals in a day**

AEMO suggested that the AER should not stipulate the number of trading intervals in the guideline if the guideline is going to also apply for the period up until the commencement of five minute settlement.

As indicated in the draft guideline, draft decision and clause 11.102.2(d) of the amending Rule, the amendments made to the guideline to give effect to 5MS Rule change will only apply after the commencement of 5 minute settlement. The AER considers the amendments made in the draft guideline to change 48 trading intervals to 288 trading intervals in section 2.3 remain appropriate and no change has been made in the final guideline.



### 3.3 Inflexibility and ramp rates below the prescribed minimum

AEMO also raised issues around the information relevant participants are required to include when providing ramp rates below the minimum required or an inflexibility occurs. AEMO suggested that the AER specify that relevant participants are required to provide this information only for a *rebid*.

Clause 3.8.3A(e) of the Rules requires that if a relevant participant provides a ramp rate that is less than the minimum (as specified in section 2.1 of the guideline), it must simultaneously provide to AEMO a brief, verifiable and specific reason for that ramp rate being below the minimum. This clause does not specify that it only applies to a rebid.

Clause 3.8.19(b)(1) of the Rules requires that where a relevant participant advises AEMO of an inflexibility, they must provide a brief, verifiable and specific reason why the scheduled generating unit, semi-scheduled generating unit, scheduled network service or scheduled load is inflexible. This clause does not specify that it only applies to a rebid.

Accordingly, we have not amended sections 2.1.1 or section 2.2.3 of the final guideline.

### 3.4 Editorial suggestions

AEMO raised some specific feedback on the draft amendments to the guideline that are summarised with the AER's consideration and decision below.

AEMO suggestion	AER consideration and decision
Ramp rates should be expressed as "the lower of 3 MW/min or 3% of maximum generation expressed as MW/min rounded down to the nearest whole number not less than 1 MW/min".	The AER considers that AEMO's suggested changes to include "to the nearest whole number" has the same meaning as what is already in the guideline as ramp rates can only be submitted as whole numbers. As such, no change has been made in the final guideline.
AEMO suggests that it should be made clear that the requirement to submit the maximum ramp rate does not apply just to generators	Section 2.1.3 of the guideline states 'relevant participants are required to provide AEMO with the unit's maximum ramp rate' where relevant participants are defined as "scheduled generators, semi-scheduled generators or market participants" for the purposes of the guideline. As such, no change has been made in the final guideline.

### 3.5 Broader concerns with the bidding and dispatch framework

AEMO's submission raises a number of broader concerns with bidding and dispatch requirements in the NEM.

These include concerns that AEMO considers that:

- Generators are not rebidding to reflect their market intentions
- Generators are not linearly ramping to the next dispatch instruction.

AEMO also argued that there should be further enhancements to the guidelines and more active monitoring and enforcement processes for these provisions.

As noted in our draft decision, the AER's approach to amending the guidelines has been to implement changes to the guidelines necessary for the introduction of 5MS. These concerns that AEMO raises, while they raise issues that may need to be explored further particularly given the changing technology of generation entering the market, are far broader than amendments required to give effect to the 5MS Rule change. Further, some of these issues raise fundamental questions that cannot be addressed through guideline changes, but would require changes to the supporting rules framework.

The AER will work with AEMO and other stakeholders to allow AEMO's views around weaknesses in the existing framework to be assessed and, where appropriate, changes made.

## 4 Effective date

The version of the guideline published in February 2017 has now been reviewed to give effect to the 5MS Rule change in respect of rebidding. As such, the AER's intention is that the new (2019) version of the rebidding and technical parameters guideline will take effect from 1 July 2021 or the date of the introduction of 5MS (should 5MS not commence on 1 July 2021).

For avoidance of doubt, this means that the guidelines, as they were published in February 2017, would continue to apply until the date 5MS commences.