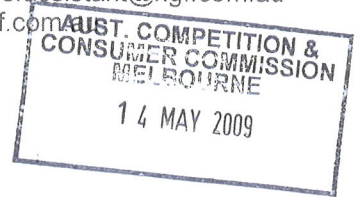




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11 May 2009

Mr Tom Leuner  
General Manager  
AER – Markets Branch  
GPO Box 520  
Melbourne VIC 3001

Dear Mr Leuner

**Re: Rebidding and Technical Parameters Guideline**

The NGF welcomes the publication by the AER of the above draft Rebidding and Technical Parameters guideline for consultation.

The NGF appreciates the AER's efforts in providing market participants with your regulatory expectations through the provision of these guidelines. The guidelines will improve the NGF's understanding of how the AER intends to monitor compliance of the Rules.

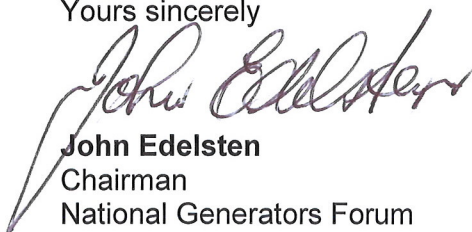
The NGF is currently preparing a detailed response on the issues of a technical nature raised in the draft guideline. However, in addition to responding on these technical issues the NGF would like to suggest that the guidelines be broadened to include matters that would facilitate effective compliance with the Rules on a broader range of issues. The areas that we suggest be addressed are:

- apparent conflicts between some clauses in the Rules or areas where there was no specific statement as to what was a Rule.
- the AER's approach to enforcement of the Rules for example in the areas of leniency/immunity and that these be embodied in the Guidelines

To further these matters, the NGF would appreciate meeting with you and appropriate AER representatives to discuss these issues on an informal basis.

If this is suitable, could you please make arrangements for this meeting with Mr Russell Skelton of Macquarie Generation by telephone, 02 49687429, or by email russell.skelton@macgen.com.au.

Yours sincerely

  
**John Edelsten**  
Chairman  
National Generators Forum

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15 May 2009  
Mr Tom Leuner  
General Manager  
AER – Markets Branch  
GPO Box 520  
MELBOURNE VIC 3001

## **REBIDDING AND TECHNICAL PARAMETER GUIDELINES – COMMENTS FROM THE NATIONAL GENERATOR FORUM**

Dear Mr Leuner

I refer to the Australian Energy Regulator's (AER) draft consultation document dated 7 April 2009.

All members of the National Generator Forum have reviewed the document and specific detailed comments are provided in the attachment.

The NGF would support the AER's initiative in developing this document which sets out a range of issues which are important to the operation of the market.

While there are a number of specific issues discussed in the attachment, five areas stand out as requiring further consideration.

Broadly these cover ramp rate, minimum operating levels, the use of inflexibility bids, bidding for tests, information provision and rebids.

### Ramp Rates

The requirement of generators to bid in ramp rates below those that are required under Clause 3.8.3 A of the rules is a complicated matter. In essence there are a number of situations where lower ramp rates are required. These can be in situations where conditions are foreseeable (i.e. return to service) or when there are unforeseen plant issues.

In order to meet the dispatch provisions of the Rules, these technical requirements need to be implemented quickly and require somewhat generic rebid reasons. In many cases it is not feasible to obtain details about the technical issue because this may not be available to plant operators quite often on a dispatch interval basis.

### Minimum Safe Operating Levels Through Zero Down Ramp Rates

The NGF is broadly supportive of this proposal.

### Inflexible Bids

The NGF agrees that where practical details of the nature of the abnormal plant condition should be provided when the abnormal plant condition is established. However extensive details as requested by the AER may not be available at the time the rebid was issued.

Inflexibility is an important part of the physical operation of the market. It should always be recognised that fixed loads have been used since the market was adopted and provide a very useful mechanism in managing plant.

The expected duration of the abnormal plant condition is implicitly given by the duration of the fixed load in the bid. However, as more detail is available, the duration of inflexibility may be changed after further review by operating staff.

### Testing and Inflexible Bids

The comments in the consultation paper covering the difficulties in using Clause 3.8.19 in order to limit output in the case of tests is an important issue that is raised.

The NGF believes that to clear up this issue, the explicit treatment of tests and inflexible loads should be put to the AEMC as a rule change. The NGF would be pleased to support any such proposal.

### Information Provision

The NGF has substantial concerns covering the extensive proposals on information covering rebidding and errors in bidding.

With respect to rebidding, information is already available on the specific reasons for rebids through the NEMMCO systems and the AER already has legislative power to seek information from participants. Generators recognise that the provision of information with regard to the operation of the market is necessary to allow the power system to perform reliably - it should not be forgotten that the ramp rate changes were based on physical market concerns. The provision of extensive data on the rebid formats places substantial compliance costs of generators which are already being managed through acceptable commercial processes.

The proposal in the area of provision of information on errors would be very difficult to manage from a range of issues as set out in the attachment.

The NGF would wish, if considered appropriate, to engage in dialogue with the AER to present these points in further detail. If that is seen of benefit to the AER, could you please contact Mr Mark Thornton at (07 3228 4371)

Yours sincerely



Alex Cruickshank  
Chairman, Market Working Group

## Attachment 1 – Rebidding Table of Issues

Reference	Description	Comments
2.1.1 Ramp Rates	<p>When the ramp rate bid is below the minimum required (as under Clause 3.8.3A), the rebid reason should include</p> <ul style="list-style-type: none"> <li>• Details of the technical issue that is limiting the ramp rate</li> <li>• The time the technical issue was identified</li> </ul>	<p>The very nature of large thermal plant is that on a small number of occasions, low ramp rates are necessary to manage the operation of the plant. The NGF recognises that market participants would provide these details. It is not as easy to provide this information in the form that is required or to the detail that may be required.</p> <p>There are a range of technical issues which are possible. These cover foreseeable technical issues and unexpected technical issues.</p> <p>For example, a foreseeable technical issue is the common practice of rebidding ramp rates of 1 MW/min when units are returning to service or being taken out of service. At this time, unit output can vary extensively due to a range of technical reasons associated with either plant issues or telemetry issues associated with dispatch instructions issued by NEMMCO. It is possible to provide a generic return to service rebid such as “Unit RTS” which provides information on ramp rates which covers the range of technical contingencies covering return to service. Similar comments cover units being taken out of service.</p> <p>To a large extent, the AER proposal could be met but often the details of the technical issue can only be provided at a general level e.g. “milling limit”</p> <p>There are a range of unexpected or unforeseeable technical issues at any level of output which will require low rates of change. In order to avoid dispatch non-conformance, rebids have to be undertaken based on incomplete information. Often details of the technical issues cannot be easily identified and</p>

		<p>may not be apparent at that time. As a result, bidding in low rates of change allows generators to maintain plant integrity, manage dispatch targets until the issue is identified and maintain the required output of the unit until that point that there can be a reversion to standard ramp rates.</p> <p>The new provisions require that, where a relevant participant submits a ramp rate that is less than the prescribed minimum, the participant must provide a ramp rate that is the maximum the relevant generating unit can safely attain at that time. The NGF agrees with this point but as stated above, the safe operation of plant is a technical and not a market issue. All members would agree with this point.</p> <p>The NGF would welcome to engage in technical dialogue with the AER to discuss this matter.</p>
2.1.2 Minimum safe operating level	When a unit has reached its minimum safe operating level, it is preferable to bid a zero down ramp rate, and not bid a fixed load, to avoid a lower dispatch target.	<p>The AER proposal that zero ramp rates be applied has some merit in some situations. For example, this would occur when a unit reaches a minimum operating level presumably intending "physical safety." However, some units have a minimum generation defined by factors other than physical safety, for example where an environmental limit cannot be complied with at low load.</p> <p>This provision should be extended to such cases.</p> <p>Also, if a unit has already breached it's minimum safe operating level, due to pool prices or due to transmission constraints, it is not clear how to increase generation back to the safe operating level. In our view, without applying a fixed load, it may be difficult to increase the dispatch target to the minimum safe operating level. Then the zero ramp down rate can be applied to keep the unit output above the minimum level. The NGF</p>

		request the AER to advise on this.
2.2.3 Inflexible bidding	<p>When bidding a fixed load due to an abnormal plant condition, the rebid reason should include:</p> <ul style="list-style-type: none"> <li>• Details of the abnormal plant condition</li> <li>• The time the abnormal plant condition was identified</li> <li>• The expected duration of the abnormal plant condition</li> </ul>	<p>The NGF agrees that where practical details of the nature of the abnormal plant condition should be provided when the abnormal plant condition was established and lodged through the bidding systems.</p> <p>Specific information on the nature of the abnormality may be complicated. For example, details of the abnormality made to trading staff from operators may indicate that there is a turbine vibration. This information would normally be submitted as a rebid. However, it would be difficult to provide further information as in this case, for example, engineering plant owners would be attempting to further establish the nature of the problem.</p> <p>The timing of the abnormality would be lodged as soon as practicable through the bidding process.</p> <p>The expected duration of the abnormal plant condition is implicitly given by the duration of the fixed load in the bid. However, as more detail is available, the duration of inflexibility may be changed after further review by operating staff.</p>
2.2.4 Testing	<p>If a fixed load is bid in for a test, the rebid reason should include:</p> <ul style="list-style-type: none"> <li>• A description of the test</li> <li>• Why inflexibility is required</li> <li>• The expected duration of the test</li> </ul>	<p>Besides indicating a description of the test, the reason why inflexibility is required should only be stated if it is not clear why such a test would require a constant load. For example “Test - Boiler tuning” would normally require a constant load but some other tests may not necessarily require constant loading. Information on this issue would be clear to staff who have a technical awareness of the operation of generators.</p>

		<p>The consultation paper notes that testing which requires a fixed output is not covered under Clause 3.8.19 of the Rules since the clause covers abnormal plant operation whereas testing will essentially prove-up a plant capability. For example, the scheduling of tests to meet technical compliance.</p> <p>In order to clarify this situation, it would be better if the Clause was amended in order to clearly allow tests to be fixed loads.</p> <p>Under testing the guidelines state that a reason should include a description of the test. Provision of an appropriate reason cannot be provided under NEMMCO interface which has a limit of 64 characters. For example, in providing an appropriate description of an air heater test would be “1425P Air heater draft loss readings – steady state conditions – est. time 2.5hrs” which does not fit within the 64 character limit. Thus, “1415P Unit testing” is the bid reason currently used for this type of requirement, then if required further information for this shortened version of the rebid can be provided to the AER via NEMMCO.</p>
3. 2 Information to be Provided	<p>When rebidding for commercial or technical reasons, the rebid reason should include:</p> <ul style="list-style-type: none"> <li>• Details of the event(s) adduced as the reason for the rebid</li> <li>• The time the event occurred</li> <li>• If the event relates to a revised NEMMCO forecast, the forecast type and when it was produced</li> <li>• If the event relates to a revised NEMMCO forecast, the original and revised forecasts</li> </ul> <p>If the event relates to a technical plant condition, the time the condition was identified and a brief, specific and verifiable explanation of the condition</p>	<p>Whilst a rebid could state “N” for NEMMCO and “changed’ pre-dispatch forecast” it is not feasible to include the original forecast details and the changed forecast details in the rebid reason as this could be a large amount of information. A rebid may cover several trading intervals, if a change in NEMMCO forecast demand was the basis of the rebid, there would be a different quantum for each trading interval that would need to be included in the rebid reason.</p> <p>At times, events can occur which create uncertainty as to the full market impact and/or their duration. This lack of clarity can require that a rebid be undertaken later as market conditions become clearer (For example, there could be short-term transmission issues which might create a commercial</p>

		<p>opportunity but the duration of this is difficult to establish. Transmission issues can be short in duration or very extensive).</p> <p>Under this proposed guideline, the AER might seek an explanation as to why a market participant did not rebid earlier, despite the fact the full situation may not have been clear at the time of the initial event. The time should be when you decided to rebid and what were the physical events, which could be multiple events, which led you to rebid. Alternatively you would need to put all the multiple events and their times in the rebid reason and this may simply not fit. In practice, the rebid reason can be complicated and it would be appropriate, if the AER sought more detailed reasoning, it should approach the participant.</p> <p>The other issue relates to rebidding multiple units. For example two units both with milling problems. The AER guidelines require that each of the units is rebid separately instead of using the one rebid to do both. The NEMMCO system supports doing both at the same time, the rules do not say we can't, but the AER in their guidelines want to prevent this efficient practice. Again, it is the onus of the participant to provide more detailed information.</p> <p>Some participants have systems designed to enter individual rebid reasons for individual units in the one rebid. To submit individual rebids for each unit would be time consuming, inefficient and not required.</p> <p>Could the AER explain the following : Does <i>separate</i> rebids here mean submitting a rebid for each unit at separate times (i.e. not all at the same time)?</p>
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	<p><i>“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”</i></p>	<p>This matter requires dialogue between the AER and the NGF</p>
<p>3.3 Form of Rebid</p>	<p>The rebid reason should be in the form:  <i>HHMM Category {space} DDD...D</i></p> <p>Where</p> <ul style="list-style-type: none"> <li>• HHMM is the time that the event(s), adduced as the reason for the rebid, occurred</li> <li>• Category is either P for a plant or physical change, N for a NEMMCO forecast or dispatch change, or F for a financial or commercial change</li> <li>• DDD...D is a verifiable description of the events that explain the rebid</li> </ul>	<p>The rebid reason should not necessarily have to follow the exact form and order as prescribed in the consultation paper, <u>as long as it has all information required to assist the AER in monitoring the rebidding activities of generators</u>. There is no reason given why this format might assist the AER.</p> <p>The example rebid in section 3.3 requires the unit numbers to be included in the rebid reason. This information is already provided by the unique duid number of the rebid unit.</p> <p>The AER is also looking to introduce more onerous requirements in to the brief and verifiable reason for the rebid.</p> <p>If the AER required further information, this could be provided through reviewing the bids and if required, raising this matter with the participant.</p>
<p>5. Error in Rebid Reason</p>	<p>If an error in the rebid reason is made, the participant should notify the AER as soon as practicable, explaining:</p> <ul style="list-style-type: none"> <li>• The corrected information</li> <li>• How the error was made</li> <li>• The steps taken to address the cause of the error</li> </ul>	<p>This guideline would seem rather extreme, particularly for minor errors. It is suggested that, if time permits, any corrected information is submitted to NEMMCO via another rebid. However, what would be the definition of an error. Is it a <u>simple</u> error associated with the bidding of a dispatch inflexibility term – i.e. the power station requested a fixed load from 10:00 to 12:30 but it was believed to be 14:30? Provision of this information does not seem to materially add to the efficiency of the market.</p> <p>The question also arises if the error results in incorrect bids which are so immaterial that they are not noticed. Would there be any thresholds under which materiality would be viewed.</p>

		<p>AER also need to provide guidelines on how this mistake is corrected to NEMMCO. While this could be replaced by a new rebid category – “E” for Error.</p> <p>If, however, it is too late to rebid, then the Trader could make a log record of the details for future reference if required. It would be a wasteful exercise to inform the AER asap after any and every error made in a rebid reason</p> <p>The AER are requesting that this information is provided as soon as practicable. Guidance of “as soon as practicable” needs to be provided – e.g. on the same day? within a week?</p> <p>The AER asks that they be notified of the corrected information, a description of how the error was made, and a description of the steps taken to address the cause of the error. The NGF believes this guideline is excessive and not likely to provide any benefits to the market</p>
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