



26 October 2001

Mr M Rawstron  
General Manager, Regulatory Affairs - Electricity  
ACCC  
PO Box 1199  
DICKSON ACT 2602

Dear Michael

**Authorisation of the National Electricity Code:  
Applications for authorisation Nos: A90797, A90798 and A90799**

Southern Hydro (SHP) welcomes this opportunity to comment on NECA's application to change the rules relating to rebidding in the National Electricity Market.

SHP believes that rebidding is a competitive and dynamic process that, overall, leads to more efficient market outcomes and lower pool prices and is essential for the efficient and effective operation of the market. The NEM is a real time market and as such relies on real time responses to the price signals seen in the Spot Price. Rebidding is an essential tool in enabling energy constrained plant to maximise the value of its limited natural resource, and provide the maximum benefit to consumers. Any rules that potentially constrain the behaviour of flexible plant is likely to lead to inefficiencies and overall high costs to customers.

SHP is concerned that NECA has pushed these Code changes through without demonstrating the need for them, or presenting any analysis to indicate the expected outcome of the Code changes. The proposed changes are imported from other markets without apparent analysis of the fundamental differences in market design and structure.

The following comments refer to the proposed code changes:

- SHP supports the concept that bids and rebids should represent the true intentions of the participant at the time of bid or rebid, however SHP does not support the reversal of the onus of proof contained in Clause 3.8.22A(b). The proposed words effectively make any bid or re-bid illegal unless the participant can prove its innocence. This is an undue burden for a participant in an active real time market and goes much further than provisions of Section 51A of the Trade Practices Act.
- SHP is concerned with the wording of Clause 3.8.22B(a). In a blind real time market a participant cannot predict with any certainty the full impact of its actions. This clause should be limited to apply only to offers, bids or re-bids that have the **purpose** of lessening **competition**. The outcome of this market at any particular time is determined

by a complex interaction of all participants, NEMMCO and end use customers. No participant has all the information required to determine if an offer, bid or re-bid is likely to have the effect of materially prejudicing the efficient, competitive or reliable operation of the market. A participant should only be judged on its purpose for making an offer, bid or re-bid and not its actual or likely effect. Also a participant can not be held accountable for either the efficiency or the reliability of the market; these are the responsibility of NEMMCO under the Code. As the proposed Code change stand a market participant could fall foul of this Clause due to circumstances outside its control or knowledge.

- SHP is concerned that the proposed changes to Clause 4.2.6 relaxing the time for returning the power system to a secure state will compromise system security and reliability and potentially run NEMMCO foul of the new Clause 3.8.22(B).
- As a minor drafting issue, I believe that the word “*rebid*” is missing from end of Clause 3.8.22B(a).

If you have any further questions on the issues raised here please contact Mr Rob Jackson, Manager Market Development and Regulation; phone (03) 9616 1011; fax (03) 9616 1029.

Yours sincerely,



Simon Maher  
CEO  
Southern Hydro