

Summary of questions raised by attendees at the Demand-Side Bidding and Forecasting briefing held on 15 August 2007.

The Commission would thank the people who attended the DSBF briefing held on 15 August 2007. A number of interesting questions were raised by attendees during the briefing, and some questions could not be answered fully at the briefing. These questions have been summarised below along with initial comments from the Commission. This information may be of value to parties intending to provide a submission on the DSBF consultation paper.

1. Why was 0.15 relative error picked?

There is a clear distinction between GXPs with an error over 0.1 (typically industrial loads) and those below 0.1 (often residential). It is unnecessary to apply such a low threshold (requiring bids to be more accurate) for the smaller GXPs as they have a smaller effect on price forecasts. This suggested applying a higher threshold for smaller GXPs - while not so high that we fail to pick up the most variable GXPs. Hence a relative error of 0.15 is a pragmatic compromise.

2. Why are participants with a low relative error but large load (>200MW) required to bid?

Forecast price accuracy is influenced by absolute (MWh) variations in load, and not necessarily percentage shifts in load. As explained above, variations in load at smaller GXPs may appear large in relative terms, but are in fact small in absolute terms and have little influence on forecast price. The converse is true for very large loads. For very large loads (>200MW) a variation in load that is small in relative terms may be very large in absolute terms and thereby have a significant influence on forecast price. For this reason, the proposal requires purchasers at a GXP with load greater than 200MW to continue to bid. It should be noted that the thresholds have been set so that such loads are able to bid within the proposed accuracy band.

3. Day Ahead Market

The issue of a day-ahead market has also been raised within submissions on the Market Design Review –Issues Paper. Therefore, the need for a day-ahead market will be considered as part of the market design review.

4. Why does the Commission Board rather than the system operator decide which GXPs are non-conforming

The proposal suggests that the Commission Board is the more appropriate body to determine what is or is not a non-conforming GXP as it has the regulatory role. The system operator's role is operational, but will be consulted by the Board to ensure compliance with PPOs is not put at risk by the Board's decision.

5. Transmission peaks/IL/Energy Bids management

The Commission will look at the feasibility of publishing forecast regional peaks as part of the NRS and PRS.

6. Interface for bidding

A new bidding interface could be developed by the Wholesale Information and Trading System service provider on behalf of the Commission if there was sufficient interest. This could be considered as apart of the education and training exercise proposed within the DSBF Proposal, and introduced prior to the DSBF rule changes coming into effect.

7. Compliance when bidding via an agency

The responsibility for rule compliance rests with the participant listed as the “purchaser” within the bid.

8. What happens if demand patterns change at a conforming GXP and this may lead the GXP becoming non-conforming

The proposed rules require that determinations on whether a GXP is non-confirming or conforming be reviewed yearly – any changes in demand patterns will be picked up in that process. In addition, within any year, a participant may seek approval from the Commission Board for a non-conforming GXP to be treated as a conforming GXP (and vice versa).

9. Bid compliance – against which price (NRS, PRS, RTP or final?)

As with the existing bidding rules, the proposed DSBF rules consider that bidding accuracy is measured against load “expected” to be purchased by a purchaser. That is, if a purchaser reasonably expected prices to be at a certain level during the trading period, then the purchaser should demand-respond accordingly (as reflected within the price band profile of that purchaser’s bids). The purchaser’s view on prices can be derived from the price information within the latest PRS, or the most up-to-date information within real time (5-minute) pricing.

10. Clarify the process for the system operator to derive the dispatch schedule from the PRS or NRS

The process will be no different from now. The SO will use the latest available offers together with the latest grid information and security constraints as inputs into the dispatch management tool.