

Date: 6 April 2005

To: Market Participants

Cc: Market Support Services Licensee, Power System Operator, Energy Market Company, Energy Market Authority

Subject: Offer Variations and Revised Standing Offers after Gate Closure

Background

The Market Surveillance and Compliance Panel ("MSCP") had on 25 November 2004 issued a memorandum drawing to the attention of market participants that an offer variation or revised standing offer after gate closure that is not made on the basis of one of the permissible grounds in the market rules is prohibited. One made on a permissible ground but with an offer price that is not the same as that previously offered for the same dispatch period is also prohibited.

Observations

Since the issue of the memorandum, the MSCP has continued to observe offer variations or revised standing offers after gate closure which are prohibited and therefore potential rule breaches.

The MSCP has so far taken a lenient view on the assumption that market participants may still not fully appreciate the scope of the rules on offer variations and revised standing offers after gate closure, and in particular the rule prohibiting price change.

Rule Prohibiting Price Change

The following are cases of price change that are prohibited:

(a) Direct Price Change

A change in the price of any quantity that has been offered.

(b) Indirect Price Change

A reduction in the total quantity offered (eg due to a forced outage) where:

- (i) there are no changes in price; and
- (ii) quantities are not reduced from the highest to the lowest price at which they were offered.

Enforcement Action

With effect from 15 April 2005, enforcement action will be taken in appropriate cases where there is found to be a breach of the market rules in relation to offer variations or revised standing offers after gate closure.

The MSCP may take any enforcement action provided for under the market rules in such cases.

As a guide, a minimum financial penalty of \$1000 plus costs will be imposed for each breach. For this purpose, a prohibited offer variation or revised standing offer made in relation to a particular generation registered facility for a particular product for a particular period will be considered as one breach.

More severe enforcement action will be taken for subsequent or repeated breaches, as may be appropriate.



Joseph Grimberg
Chair
Market Surveillance and Compliance Panel