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## Agenda Item 9b: Extension of Bilateral Submissions to Market Customers (CP\_2010\_08)

### 1. BACKGROUND

At the 9 September 2009 MAC meeting, Synergy presented the concept of introducing the ability for Market Customers to make bilateral nominations into the Wholesale Electricity Market Rules (Market Rules):

- **Current Situation:** Only Market Generators can provide a bilateral nomination for a Market Customer. A Market Participant who is a Market Customer only is unable to re-nominate any excess energy to a third party via a bilateral submission – this would have to go through one of its contracted Market Generators.
- **Synergy's Proposed Situation:** Market Customers to be able to directly re-nominate any excess energy from its portfolio to a third party without needing to disclose details to any external parties.

Following the discussion at the MAC, Synergy has prepared a Concept Paper Proposal: Extension of Bilateral Submissions to Market Customers outlining further details of the proposed changes and options for implementation. A copy of Synergy's paper is attached as Appendix 1.

Following a submission of a Concept Paper Proposal the IMO undertakes an initial assessment of the proposal (see section 2 of this paper) and consults with the MAC for prioritisation against other work already underway. Following the MAC discussion the IMO will work with the proposal to develop the full Concept Paper (if deemed appropriate).

### 2. IMO'S INITIAL ASSESSMENT

The IMO has undertaken an initial assessment of Synergy's proposed situation and identified the following points for further discussion by the MAC prior to prioritisation of the issue:

- Given that there are currently existing mechanisms to trade around bilateral contracts (e.g. the STEM) should the focus be on developing the STEM further to support the bilateral market rather than the further development of the bilateral market?
- By moving toward a greater use of bilateral contracts there is likely to be a reduction in both the liquidity of the STEM and transparency of prices in the market.
- Are there any Market Power considerations associated with a Market Customer potentially overstating its demand under the proposed situation which will require further consideration?

- Currently the market design does not allow Market Customers to self manage their risk. Are there any other alternatives to solving the price or volume uncertainty that have not been identified by this Concept Paper?
- Should these amendments be considered as part of the work being undertaken by the Market Rules Design Team?

### 3. RECOMMENDATIONS

The IMO recommends that the MAC:

- **Discuss** the Synergy Concept Paper (CP\_2009\_12);
- **Discuss** each of the points for further discussion raised in section 2;
- **Determine** the prioritisation of Synergy's concept against other work already underway.