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Dear Market Participants

Compliance with the National Electricity Rules (NER)

Recently, the AER has observed that following the application of administered pricing in the National Electricity Market (**NEM**), generators are withdrawing available capacity from the market. This behaviour may be motivated by generators seeking to avoid the administered pricing compensation process in favour of the Australian Energy Market Operator (**AEMO**) directions compensation process. This withdrawal of available capacity has resulted in AEMO issuing directions to generators under cl 4.8.9(a) to maintain the demand and supply balance in the NEM.

As you know, under cl 4.8.9(c2) of the NER, Market Participants must not by any act or omission, whether intentionally or recklessly, cause or significantly contribute to the circumstances causing a direction to be issued, without reasonable cause. The AER expects Market Participants to undertake their operations so as to ensure they are not causing or significantly contributing to the circumstances causing a direction to be issued. The AER will continue to closely monitor and review rebids to withdraw capacity from the market.

Further, cl 3.8.22A of the NER requires that Market Participants must not make a dispatch offer, dispatch bid or rebid that is false or misleading. Specifically, cl 3.8.22A(b) of the NER states that an offer/bid or rebid is taken to be false or misleading if the party making it does not have a genuine intention to honour it or does not have a reasonable basis for making the offer.

I also remind you of the various obligations for Scheduled Generators and Market Participants to submit and update information to AEMO. This includes the submission of Short Term Projected Assessment of System Adequacy inputs under cl 3.7.3(e) of the NER to assist AEMO's identification of Lack of Reserve conditions. Further, under cl 3.13.2(h) of the NER, AEMO must be notified of any changes to submitted information.

If you have any queries in relation to this letter, please contact me or [REDACTED] on [REDACTED] or [REDACTED].

Yours sincerely



Clare Savage
AER Chair