



INFORMATION

Participant compensation following market suspension

AEMC invites submissions on consultation paper

The Australian Energy Market Commission has commenced consultation on a rule change request from the Australian Energy Market Operator (AEMO) that seeks to introduce a framework to compensate participants who incur loss during an electricity market suspension.

Background

This rule change request follows the 13 day market suspension that occurred in South Australia in late 2016. During that event, prices were set in accordance with the 'market suspension pricing schedule' (based on average prices in the preceding four weeks).

AEMO notes that the absence of a compensation framework meant some participants were incentivised to minimise financial losses due to the application of the market suspension pricing schedule by withdrawing or reducing their availability for dispatch. As a result, AEMO was reliant on participant goodwill to manage system restoration and operation, or issuing directions so that participants who operated at a loss could recover their costs through the directions compensation process.

AEMO considers that directions should be a last resort. They involve a resource intensive process and are not consistent with the principle in the National Electricity Rules that AEMO decision-making should be minimised to allow market participants the greatest amount of commercial freedom to decide how they will operate in the market.

The rule change request

AEMO proposes that a compensation framework be introduced based on the compensation framework applicable to administered price periods. AEMO's objective in proposing this framework is to encourage participants to work collaboratively with AEMO to restore or maintain supply, rather than wait for a direction. Under the proposed approach, participants would be able to lodge a claim for compensation after the event to recover their net costs.

Issues for consultation

The consultation paper identified several issues on which feedback is sought, including:

- whether a compensation framework is required
- the effect of any new compensation framework on incentives facing participants
- how compensation should be calculated
- who should be eligible to claim or receive compensation
- what costs should be compensable
- how to recover compensation and administration costs
- how to minimise regulatory and administrative burdens.

Submissions

Submissions on the rule change request are due by 14 June 2018. A [template](#) setting out consultation questions is available on our website to help stakeholders provide their views on the issues raised in the paper.

For information contact:

AEMC Senior Adviser, **Katy Brady** (02) 8296 0634
AEMC Director, **Shari Boyd** (02) 8296 7869

Media: Communication Director, Prudence Anderson 0404 821 935 or (02) 8296 7817

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