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Submitted online to:

<https://www.aemc.gov.au/rule-changes/participant-compensation-following-market-suspensi>

Dear Ms Brady,

Participant Compensation following Market Suspension
Reference: **ERC0225**

The Australian Energy Council (the “**Energy Council**”) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission’s (“**AEMC**’s”) *Participant Compensation following Market Suspension Consultation Paper*.

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over ten million homes and businesses.

Discussion

Following the South Australian system black event in September 2016, the Australian Energy Market Operator (“**AEMO**”) convened a Market Suspension Pricing Working Group, on which a number of the Energy Council’s members sat. This working group identified that the current arrangements are inefficient, and will lead to market intervention by AEMO to manage the power system. To address this deficiency, AEMO has proposed introducing arrangements to compensate market participants for nett losses as a result of the application of market suspension schedule (“**MSPS**”) prices. By doing so the risk of market participants withholding capacity from the market in anticipation of receiving a direction from AEMO and therefore attracting certain compensation will be eliminated, and inefficient behaviour due to participants’ knowledge of future prices will also be deterred.

The Energy Council supports the proposed rule change, as it believes that it will result in improved market certainty and efficiency. However to be effective, the proposed market suspension pricing schedule compensation framework should be financially favourable, easily accessible and predictable. As they currently stand, the compensation frameworks for directions and administered price periods (“**APPs**”) do not meet these criteria, therefore rather than applying the APP compensation framework to the MSPS compensation framework, as suggested by AEMO, the Energy Council believes a bespoke or hybrid compensation framework would be preferable.

Any questions about this submission should be addressed to the writer, by e-mail to Duncan.MacKinnon@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,



Duncan MacKinnon
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