



Compensation for market participants affected by intervention events

Submissions are invited by 16 July 2020

The Australian Energy Market Commission (AEMC) has published a consultation paper to initiate rule change requests relating to compensation for market participants affected when the Australian Energy Market Operator (AEMO) intervenes in the market.

Context

Intervention mechanisms are tools available to AEMO in circumstances where the market response has been inadequate to maintain a reliable and secure power system, or in response to unexpected events. Broadly speaking, intervention mechanisms include the reliability and emergency reserve trader (RERT), directions and instructions.

When AEMO intervenes in the market by dispatching the reliability and emergency reserve trader (RERT) or issuing a direction, it is required to pay compensation to those participants directed to provide services, and to those participants dispatched differently as a result of the intervention.

The rule change requests

The Commission has commenced consultation on two AEMO rule change requests relating to the second kind of compensation – referred to in broad terms as “affected participant compensation”.

The first rule change request concerns the compensation payable to scheduled generators and scheduled network services if they are dispatched differently due to an intervention event.

Currently, these participants are eligible for compensation in relation to energy related losses but not losses related to market ancillary services. The AEMO rule change request seeks to address that by allowing participants to be compensated if they incur losses related to market ancillary services.

The second rule change request relates to scheduled loads which are dispatched differently as a result of an intervention event. Scheduled loads in the NEM include pumped hydro and large scale batteries.

Compensation for scheduled loads is calculated in accordance with a formula which includes as an input the price of the highest priced band specified in a dispatch bid – known as “BidP”. AEMO’s rule change request seeks to change the definition of BidP as the current definition could result in participants being under-compensated where they are dispatched differently due to an intervention event.

Given that both rule change requests concern the amount of compensation payable under clause 3.12.2 of the National Electricity Rules (NER), the Commission has determined that it is appropriate to consolidate the requests and progress them via a single consultation process and rule. This will streamline the consultation process for stakeholders and may facilitate, where appropriate, a more integrated and consistent approach to the issues raised by the rule change requests.

Issues for consultation

The consultation paper explores the issues raised in the rule change requests. Stakeholders are invited to comment on these issues, which include:

- Should clause 3.12.2 be amended so that affected participant compensation is payable in respect of frequency control ancillary services (FCAS)?
- Should consideration be given to including FCAS in the compensation automatically calculated by AEMO, rather than requiring participants to lodge a claim for additional compensation in order to recoup FCAS losses?
- Should the definition of BidP in clause 3.12.2 be amended to avoid under-compensation of scheduled loads affected by interventions?
- Should compensation for scheduled loads also include compensation for changes to FCAS enablement targets resulting from an intervention event?
- Do stakeholders consider that there is value in adopting a symmetrical approach to compensation for scheduled loads, such that scheduled loads may receive compensation or be required to repay revenue to AEMO, consistent with the current approach to affected participants?

Consultation process

We invite stakeholders to provide written submissions on the consultation paper by Thursday **16 July 2020** via the AEMC website.

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