



Compensation following directions for other compensable services

Final determination and rule

The Australian Energy Market Commission (AEMC) has published a final determination and final rule to streamline compensation arrangements for participants directed to provide services other than energy and market ancillary services (“other compensable services”).

The Commission’s final determination

The Commission’s final determination reduces administrative burden on AEMO and registered participants by amending the compensation framework for other compensable services from two-steps to one-step. These “other compensable services” may include, for example, a direction for a battery to maintain a specific state of charge.

The final rule also makes other amendments that improve transparency, predictability, consistency and the allocation of risk, including:

- clarifying the test for how AEMO classifies a direction, which determines the relevant compensation framework
- adding an obligation on AEMO to notify the directed participant of its determination of whether a compensable service was provided and allowing the directed participant to make a submission in response
- simplifying the factors that need to be taken into account in determining fair payment compensation in the new one-step process.

A period of three months is required for AEMO to adjust its processes and procedures to implement the rule. The rule will commence operation on 21 March 2021.

The rule change request

On 19 September 2019, AEMO submitted a rule change request for the National Electricity Rules (NER) to be amended in relation to the determination of compensation following directions for services other than energy and market ancillary services.

Currently, when a participant is directed to provide other compensable services (something which has occurred infrequently until recently), they may be compensated under the “fair payment price” framework. Following this initial compensation process, if a directed participant is still out of pocket, it may lodge a claim for additional compensation through a separate second process.

AEMO considered that this two-step process is an unnecessary delay in finalising compensation for directed participants and proposed a one-step process, where the amount of compensation could be determined at the same time.

On 11 June 2020, the AEMC initiated the rule change request from AEMO and published a consultation paper. Nine submissions were received in response to the consultation paper and these informed the development of the draft determination and draft rule.

On 24 September 2020, the AEMC published a draft determination and draft rule. Seven submissions were received in response to the draft determination and these informed the development of the final determination and final rule.

Commission’s intervention work program

The rule change is part of a wider Commission work program updating the intervention

framework in the NEM. This work program commenced with the *Investigation into intervention mechanisms in the NEM* and a number of associated rule change requests which have been submitted by AEMO to action the recommendations made in that investigation.

Most of these recommendations have now been actioned through rule changes completed by the Commission.

In addition AEMO has submitted two rule change requests concerning the compensation payable to market participants which are dispatched differently as a result of an AEMO intervention which triggers intervention pricing - *Compensation for market participants affected by intervention events*. The final determination is due on 5 August 2021, allowing for consideration of complex issues raised in submissions in response to the draft determination and enabling coordination with the final rule on *Integrating energy storage systems into the NEM*.

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