



Compensation for market participants affected by intervention events

Final rule determination published for Compensation rule change

The Commission has made a more preferable final rule in response to two rule change requests from the Australian Energy Market Operator (AEMO). The final rule amends the National Electricity Rules (NER or the Rules) so that market participants can be appropriately compensated if they are affected by AEMO intervention events that trigger intervention pricing.

When AEMO intervenes in the market by exercising the Reliability and Emergency Reserve Trader (RERT) or issuing a direction, two kinds of compensation may be payable: one is compensation for directed participants and one is compensation for participants affected by, or dispatched differently as a result of, the exercise of RERT or issue of a direction.

The *Compensation for market participants affected by intervention events* (Compensation) rule concerns the second type of compensation.

The final rule determination

The final rule addresses the risk under the current Rules that participants could be under-compensated if they are dispatched differently as a result of an intervention event that triggers intervention pricing. It does so by:

- incorporating frequency control ancillary services (FCAS) into the automatic compensation framework in clause 3.12.2 of the NER, and
- amending the formula for calculating energy compensation for market customers with scheduled loads.

A number of other refinements have also been made to clause 3.12.2 to address stakeholder feedback throughout the rule change process. These refinements increase transparency and avoid perverse outcomes arising from the calculation of compensation.

The final rule is more efficient, has a better allocation of risk, and is more transparent and predictable than the current framework. Therefore, the final rule will better contribute to the long-term interests of consumers in relation to compensation outcomes in the NEM.

The main elements of the rule will commence on 1 August 2022 to provide AEMO sufficient time to prepare a methodology on the compensation framework, as well as update its internal systems.

The rule changes and process

The Compensation rule change is a consolidation of two rule change requests received from AEMO on 19 September 2019, relating to clause 3.12.2 of the NER.

- The first request sought to allow participants to lodge a claim where they suffer losses related to FCAS enablement.
- The second concerned the formula for compensation payable to market customers with scheduled loads, which could result in these participants being under-compensated after intervention events that trigger intervention pricing.

A consultation paper was published in June 2020, and a draft determination and more preferable draft rule were published in September 2020.

In response to the draft rule, AEMO's submission raised practical complexities, primarily relating to batteries in their capacity as scheduled loads. To allow these issues to be

addressed in a coordinated way, the Commission determined that the timeline for the final determination should be aligned with the *Integrating energy storage systems into the NEM* (Integrating storage) rule change process. For this reason, the Commission ultimately extended the time for making a final determination to 2 December 2021.

A directions paper was published on 15 July 2021, to seek further stakeholder feedback on the proposed approach to compensation in the final rule.

Feedback from stakeholders in response to the consultation paper, draft determination and directions paper has informed the Commission's approach to the final determination and rule. The final rule approach also aligns with other Commission determinations, including the Integrating storage final rule.

For information contact:

Adviser, **Emily Banks** +61 2 8296 0677

Director, **Sebastien Henry** +61 2 8296 7833

Media enquiries: media@aemc.gov.au

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