



24/600 Bourke St  
Melbourne VIC  
3000

23 February 2023

Ms Anna Collyer  
Chair, Australian Energy Market Commission  
GPO Box 2603  
Sydney, NSW, 2001

Via electronic lodgement: <https://www.aemc.gov.au/contact-us/propose-rule-change>

**Re: Rule Change Request – \$0 Floor Price to claims from the NEM Participant Compensation Fund as a Result of a Scheduling Error.**

Dear Ms Collyer:

Tilt Renewables submits the attached rule change proposal under section 91 of the National Electricity Law, with a request that the AEMC consider it as a non-controversial Rule under section 96(1)(b).

The attached rule change request proposes to:

- Place a \$0.00/MWh price floor to the spot price when determining the compensation amount provided to a market participant in respect of a participant compensation fund claim as a result of a scheduling error.

Thank you for taking the time to consider this non-controversial rule change request, and we look forward to continuing discussions with the Commission on these issues. Please feel free to contact [rhys.albanese@tiltrenewables.com](mailto:rhys.albanese@tiltrenewables.com) should you have any questions or wish to discuss any aspect of this submission.

Yours Sincerely,

A handwritten signature in black ink that reads "Rhys Albanese".

Rhys Albanese  
Market Operations Manager  
**Tilt Renewables**



# Rule Change Proposal: \$0 Floor Price to claims from the NEM Participant Compensation Fund as a Result of a Scheduling Error.

## 1. Request to make a rule change

### 1.1 Name and address of person making the request

Tilt Renewables  
Bourke Place  
24/600 Bourke Street  
Melbourne VIC 3000

### 1.2 Request to make an expedited rule change request

Tilt Renewables views this rule change as non-controversial as the beneficiaries of the rule change are also the same market participants that are committing funds to the NEM Participant Compensation Fund. This rule change is intended to address a change in market dynamics that likely weren't considered at the time section 3.9 of the NER was written.

## 2. Background

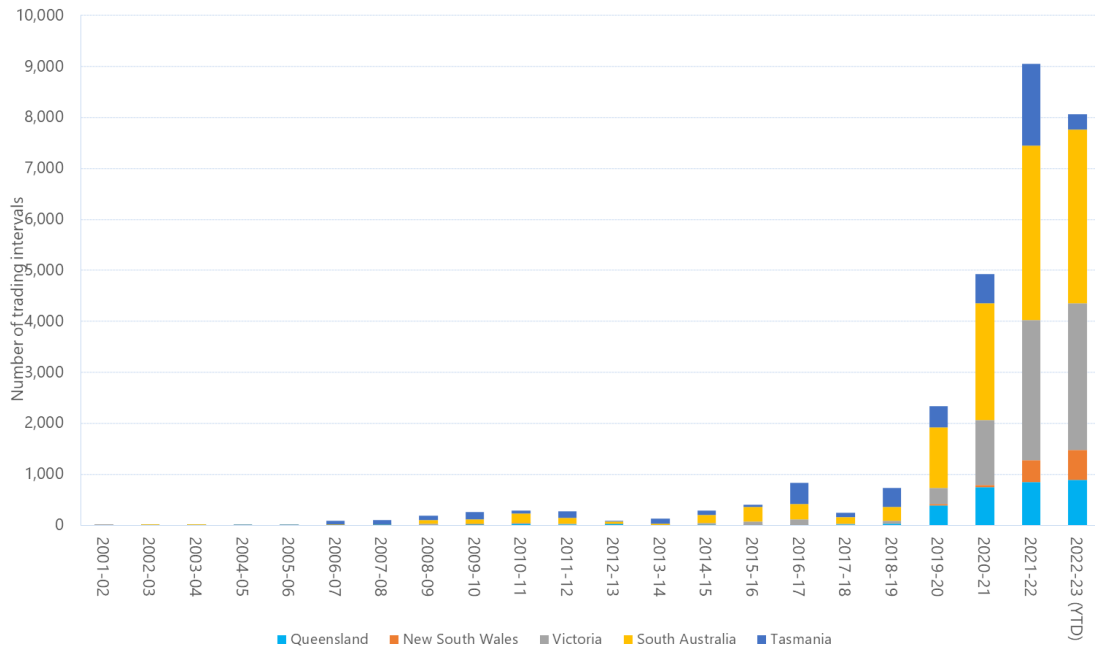
### 2.1 Tilt Renewables

Tilt Renewables is committed to continue playing a lead role in accelerating Australia's transition to clean energy. Tilt Renewables is one of the largest owners and operators of wind and solar generation in Australia with 1.7 GW of renewable generation capacity across 12 operating (or under construction) wind and solar farms. In addition, Tilt Renewables has a development pipeline of over 5.0 GW of wind, solar and storage projects.

### 2.2 Background to the Rule Change Request

Over the course of the last several years the generation mix in the NEM has evolved with significant new entry from VRE (Variable Renewable Energy) at both a grid-scale and distribution level. Market dynamics that were closely linked to temperature as a result of heating and cooling load have now come more complex, with wind and solar irradiance becoming increasingly influential in determining price and demand outcomes.

As a result of the changing generation mix negative prices in each of the NEM regions has become much more prevalent. Sunny and windy conditions can now often lead to oversupply in the NEM, with negative prices becoming an increasingly common phenomenon. Quite often we see generators continue to generate through negative prices, often because of contract position and for VRE the creation of green certificates, both of which pushes a generators effective breakeven price into negative territory.



Source: AER; AEMO, Last updated: 19 Apr 2023 - 9:35 pm

### 3. Statement of Issue

In the event of a scheduling error, a market participant may be entitled to compensation via a withdrawal from the NEM Participant Compensation Fund. According to clause 3.16.2(h)(2) of the National Electricity Rules: “In determining the level of compensation to which Market Participants are entitled in relation to a scheduling error, the dispute resolution panel must use the spot price as determined under rule 3.9, including any spot prices that have been adjusted in accordance with clause 3.9.2B.”

At the time of writing negative prices were not a common feature of the NEM like they are today. It is now reasonably foreseeable that this rule will erode the compensation paid to market participants as a result of a scheduling error, while further losses from contract position and green certificate creation are ignored. Given generators have other revenue streams which enable them to generate through negative prices, it is considered appropriate that negative price periods can be ignored for participant compensation.

Tilt Renewables considers it appropriate that the level of compensation is not further eroded through the prevalence of negative price outcomes in the NEM.

### 4. Proposed Rule Change

#### 4.1 Description of Proposed Rule Change

Tilt Renewables is proposing a rule change, particularly to clause 3.16.2(h)(2) of the NER that places a \$0.00/MWh price floor to the spot price when determining the compensation provided to a market participant in respect of a scheduling error.

#### 4.2 How the Proposed Rule Change Will Address the issue

The current rules were written at a time where instances of negative prices in the NEM were rare. The original intent of the Participant Compensation Fund was to provide compensation to generators in the event of a scheduling error, this rule change addresses the issue of eroding compensation from negative price intervals where events occur outside of the generators control.

This rule change will ensure participants receive a fair compensation payment in the event a scheduling error occurs, noting that no compensation will occur for Trading Intervals where the price is negative.

Whilst this floor will not compensate generators for their losses due to contract position or forgone green certificates, it does recognise that generators have continued to generate through negative prices for reasons not explicitly linked to the wholesale electricity market.

#### 4.3 How the Proposed Rule Change contributes to the National Electricity Objective

Generators understand that scheduling errors occur from time to time and that the Participant Compensation Fund is an avenue to receive compensation for losses due to a scheduling error. This avenue provides greater investment certainty for generators to continue investing and thereby lowers wholesale prices and ensures reliability of the supply of electricity. This rule change will ensure that generators continue to be compensated fairly in the event of a scheduling error rather than have compensation amounts eroded due to changing market dynamics which likely weren't considered during market inception.

This rule change will have no costs or adverse consequences for consumers.

### 5. Expected Costs

Tilt Renewables considers the costs associated with this rule change request to be negligible.

Compensation calculations are completed on an ad-hoc basis with AEMO and are spreadsheet based so no changes to any systems will be required.

While amounts from the Participant Compensation Fund will likely be for larger amounts compared to the current rule, the outcome with the proposed rule change will be no different to before negative prices became such a common feature in the NEM.