AUSTRALIAN ENERGY MARKET COMMISSION

AEMC

Final report

Compensation claim for direct and opportunity costs – EA Ecogen

12 September 2024

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.

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Executive Summary

1 Clause 3.14.6 of the National Electricity Rules (NER) and the Australian Energy Market Commission (AEMC or the Commission) compensation guidelines[1] (Guidelines) set out a process for market participants to claim compensation for certain losses during an administered price period (APP) where the administered price cap (APC) or administered floor price is applied.[2]

2 The administered pricing compensation framework is designed to protect participants such as generators, scheduled network service providers, scheduled loads, ancillary service providers, and demand response service providers from losses during a price limit event to maintain the incentive for them to continue to supply (or consume) energy or services (as the case may be). In this way, administered pricing compensation supports a reliable supply of electricity to customers during price limit events.

3 This paper sets out the Commission's final decision regarding a claim from EnergyAustralia Ecogen Pty Ltd (EA Ecogen) for administered pricing compensation related to the June 2022 APP.

4 EA Ecogen has claimed compensation for direct costs and opportunity costs in respect of its Newport and Jeeralang gas-fired power stations in Victoria following the application of the APC in Queensland (Qld), New South Wales (NSW), Victoria (Vic) and South Australia (SA) between 12 June 2022 and 15 June 2022.

5 The total amount of compensation (TCA) is determined by the Commission using the formula set out in the Guidelines:

- opportunity costs incurred over the relevant period(s)
- plus direct costs incurred in the eligibility period(s)
- minus actual revenue in the eligibility period(s)
- plus any other adjustments to the amount of compensation payable to be taken into consideration by the Commission, such as the subtraction of other forms of compensation payable to the claimant.[3]

6 EA Ecogen is claiming it incurred:

- [redacted] for opportunity costs, related to a claimed forgone opportunity to sell its scarce gas resources into the Declared Wholesale Gas Market (DWGM) more profitably in a future period instead of generating into the NEM for the APP.
- [redacted] for direct costs, which includes fuel costs, start costs and ancillary services costs.

7 Once revenues have been taken into account, EA Ecogen has claimed [redacted] for direct and opportunity costs compensation.

8 EA Ecogen is entitled to opportunity costs compensation.

9 Opportunity costs can be claimed where it is demonstrated that the claimant's plant had scarce capacity or resources as a result of a relevant commercial or technical limitation that applied over the relevant period. Opportunity cost means the value of the best alternative opportunity for an eligible participant to use that scarce capacity or resources more profitably during the application

1 AEMC, Compensation guidelines, Final guidelines, 21 October 2021, https://www.aemc.gov.au/sites/default/files/documents/final_amended_compensation_guidelines.pdf

2 Further information on the background, context and purpose of administered pricing compensation is included in **Appendix A**. Information on the Commission's role and process for administered pricing compensation is included in **Appendix B**.

3 Figure 5.1 in the Guidelines.

of a price limit event or at a later point in time.[4]

10 In accordance with the National Energy Rules (NER) and Guidelines, the Commission seeks to answer two fundamental questions in assessing eligibility for opportunity costs compensation:

1. Has the claimant demonstrated that it had scarce capacity or resources as a result of a relevant (technical or commercial) limitation?[5] If no, the claimant does not demonstrate a limitation and is unable to claim compensation.
2. If yes, has the claimant suffered the foreclosure of an alternative opportunity to use that scarce capacity or resource more profitably at the same point in time or at a later point in time[6] due to the imposition of the price cap?[7]

11 With regard to the first question, the Commission is satisfied that EA Ecogen has demonstrated a commercial limitation in regard to its gas-fired units which are the subject of its opportunity costs claim.

12 With regard to the second question, the Commission agrees with EA Ecogen that by generating energy into the National Energy Market (NEM) during the APP, using its scarce gas resources, it foreclosed the opportunity to use the same gas resources to sell into the Victorian DWGM more profitably at a later point in time. EA Ecogen has provided sufficient information to the Commission to evidence that this was a genuine opportunity forgone.

13 The Commission has therefore determined that EA Ecogen has demonstrated that it is eligible for opportunity costs compensation under the relevant provisions of the NER and the Guidelines.

14 The Commission values EA Ecogen's opportunity costs based on the profit forgone and not the revenue forgone.

15 We consider that the value of the forgone opportunity should be the revenue associated with the alternative opportunity less the costs that would have been incurred in pursuing it. This means that the value of opportunity costs reflects the profit forgone and not the revenue forgone.

16 The Commission's approach to estimating EA Ecogen's forgone opportunity is to take:

- the quantity of gas associated with the forgone opportunity.
- multiplied by the DWGM spot price of $40/GJ, the administered price cap in the DWGM for all of June 2022 through to late July 2022.
- less the estimated costs that EA Ecogen would have incurred in pursuing the alternative opportunity, including the costs of storing and transporting the gas for the purposes of selling it on the DWGM.

17 The Commission's approach to valuing EA Ecogen's opportunity costs has the following features:

- It is a market-based approach consistent with the hierarchy of principles outlined in the Guidelines.
- It leaves the claimant in the position it would have been in had it pursued its alternative, more profitable, opportunity.
- It supports the objective of the compensation framework, which is to maintain the incentive to supply services during an APP, in that the approach allows market participants to make informed decisions during a future APP.

4 Section 5.3.1 of the Guidelines.
5 Sections 5.3.2-5.3.3 of the Guidelines.
6 Section 5.3.1 of the Guidelines.
7 Clause 3.14.6(a) of the NER.

18 The Commission's approach is consistent with the valuation methodology proposed by EA Ecogen.

19 EA Ecogen is entitled to direct cost compensation.

20 The Commission has verified the information submitted by EA Ecogen in respect of its direct cost claim. The AEMC has adjusted the initial value of the claim due to both a calculation error and an input error in the submission. This adjustment was agreed with EA Ecogen.

21 EA Ecogen is to be paid total compensation of $1,516,254.14 (ex GST).

22 The Commission is satisfied that:

- EA Ecogen is eligible to claim compensation for the eligibility periods commencing on 14 and 15 June 2022 as it had incurred a net loss on these trading days
- EA Ecogen notified the AEMC and the Australian Energy Market Operator (AEMO) of its intention to claim compensation in accordance with clause 3.14.6(h) and (i) of the NER
- the information provided by EA Ecogen to support and substantiate its claim complies with the Guidelines
- the opportunity costs to be awarded to EA Ecogen are consistent with the definition of opportunity costs outlined in the Guidelines
- the direct costs claimed by EA Ecogen are consistent with the categories of cost permitted in the Guidelines.

23 The total compensation amount for EA Ecogen's claim is calculated as follows:

- opportunity costs incurred over the relevant period(s)
- plus direct costs incurred in the eligibility period(s)
- minus actual revenue from the spot market.

24 The Commission has determined that EA Ecogen is entitled to compensation in respect of its compensation claim, and that the amount of compensation that should be paid by AEMO is $1,516,254.14.

25 The Commission has determined EA Ecogen's TCA as follows:

- opportunity costs (forgone profit) incurred in the relevant period(s) in the amount of [redacted]
- plus direct costs incurred in the eligibility period(s) in the amount of [redacted]
- minus actual revenue from the spot market in the amount of [redacted].

26 The Commission will write to AEMO to advise of the total amount of compensation payable to EA Ecogen for each relevant eligibility period by trading interval, exclusive of GST. AEMO will then recover the cost of compensation from market customers who purchased energy from the spot market in the relevant eligibility periods in the cost recovery region(s).[8]

27 We considered stakeholder input in making our decision.

28 In June 2024, the Commission published the draft opportunity cost methodology (DOCM), which outlined EA Ecogen's proposed methodology for determining its opportunity costs and the methodology the Commission proposed to use.

29 The Commission received submissions on the DOCM pertaining to EA Ecogen's opportunity cost claim, from EnergyAustralia and AGL Energy Limited (AGL):

8 Clause 3.15.10 of the NER.

- EnergyAustralia provided supplementary information in response to the further evidence sought by the Commission in the DOCM.
- AGL noted that it considers the Commission's assessment for each claim to be appropriate, but that the Commission's methodology did not consider whether the claimant had the ability to supply gas into the DWGM to take advantage of alternative opportunity such that it was a real opportunity forgone.

30 In relation to the points raised by AGL, the Commission is satisfied on the basis of the information provided by EA Ecogen that it had the ability to supply gas into the DWGM during the period of the forgone opportunity.

31 On 15 August 2024, the Commission provided a draft decision to EA Ecogen for the purposes of consultation under clause 3.14.6(r) of the NER. The draft decision outlined the Commission's draft assessment of EA Ecogen's opportunity cost claim.

32 The Commission has taken all stakeholder submissions into account, including EA Ecogen's response to the draft decision, in making this final decision.

Contents

1 EA Ecogen's claim

On 22 June 2022, EA Ecogen provided notification of its intent to claim compensation in relation to the APP in Queensland, New South Wales and Victoria between 12 June and 15 June 2022. For the purposes of this claim, this is the APP to which the claim relates. This notification was received within the prescribed timeframe in the National Energy Rules (NER).[9]

The Commission commenced formal assessment of EA Ecogen's compensation claim on 16 May 2024. A timetable for determining EA Ecogen's compensation claim is set out in **Appendix C**.

EA Ecogen is claiming compensation for its gas-fired power stations Newport and Jeeralang in Victoria. These power stations are scheduled generators registered to EA Ecogen.

This section summarises the submissions made by EA Ecogen in support of its claim.

1.1 EA Ecogen's direct cost claim

EA Ecogen is claiming direct costs in operating:

- Newport Power Station in Victoria during the period commencing 4.05am on 14 June 2022 to 4.00am on 15 June 2022, and
- Jeeralang Power Station in Victoria during the period commencing 4.05am on 14 June 2022 to 2.00pm on 15 June 2022.

Each trading day (or part of a trading day) within this period is a separate eligibility period for the purposes of this claim.[10]

The costs claimed are consistent with the categories of direct costs outlined in the Guidelines.

1.2 EA Ecogen's opportunity cost claim

EA Ecogen is claiming opportunity costs in operating:

- Newport Power Station in Victoria during the period commencing 4.05am on 14 June 2022 to 4.00am on 15 June 2022, and
- Jeeralang Power Station in Victoria during the period commencing 4.05am on 14 June 2022 to 2.00pm on 15 June 2022.

Each trading day (or part of a trading day) within this period is a separate eligibility period for the purposes of this claim.[11]

1.2.1 EA Ecogen claims technical and commercial limitations

In early 2022, EA Ecogen claims it faced a combination of high market price volatility in the National Energy Market (NEM), and significantly higher-than-expected forced outage rates for its baseload fleet. To make up this electricity generation shortfall, gas-powered generators in EA's portfolio consumed more than double the forecast usage of gas for all of 2022 by the end of April 2022.

EA Ecogen claims it faced a combination of technical and commercial limitations, including:

9 Clause 3.14.6(i) of the NER.
10 Clause 3.14.6(a) of the NER.
11 Clause 3.14.6(a) of the NER.

- The technical limitation is claimed to be low gas availability in the Iona Gas Storage Facility (Iona) as a result of high gas-powered generation levels in Q1 2022. The Iona gas storage levels were depleted to a level threatening supply for the forecast winter usage requirements.
- The commercial limitation is claimed to be the high price incurred by EA on the Declared Wholesale Gas Market (DWGM) to replenish the Iona gas storage for winter. These very high gas prices seen in May 2022 resulted in the DWGM APC being imposed for the first time in the DWGM's history.

EA Ecogen claims that the constraint was largely technical in nature, due to low availability of gas in winter. During the APP, EA Ecogen nominated its Maximum Daily Quantity (MDQ) on all its gas supply contracts. It argues that it undertook extraordinary action to purchase gas from the spot market without an equivalent hedging injection during the APP. It claims that the extremity of this action strengthens its position that gas was a scarce commodity.

1.2.2 EA Ecogen claims the foreclosure of an alternative opportunity after the price limit event

EA Ecogen claims that using its gas facilities to generate electricity during the APP resulted in it forgoing an opportunity to sell the gas into the DWGM for higher prices after the APP, using the same resources.

EA Ecogen claims that it experienced the loss of an opportunity to store the gas purchased from the spot market, instead of generating during the APP, and later selling that same gas into the DWGM at the APC of $40/GJ, thereby making a higher margin. This APC of $40/GJ is the counterfactual gas price for EA Ecogen's claim. EA Ecogen claims this scenario is viable as the DWGM was capped at $40/GJ for all of June 2022 through to late July 2022 and that it had sufficient rights to storage capacity at Iona to accomplish this.

1.2.3 EA Ecogen's valuation of its claimed opportunity costs

EA Ecogen's proposed valuation methodology for determining its claimed opportunity costs is a market-based valuation of its claimed forgone opportunity.

EA Ecogen's claim calculates the value of the forgone opportunity during the APP by outlining the quantity of gas usage that was used as fuel by its affected units to generate during the APP and multiplying it by the price it could have received for selling this same gas at a higher price in an alternative market, being the DWGM. EA Ecogen then deducts the costs associated with purchasing and storing the gas to sell into the DWGM.

EA Ecogen's claimed quantum of gas

EA Ecogen's claim calculates the *quantity* of gas usage as the total gas consumption used by its affected units to generate during the APP. This estimate is based on an assumption that no gas would have been used for dispatch into the electricity market in the event that it took advantage of the alternative opportunity.

The price at which EA Ecogen values this gas

The *price* is the amount EA Ecogen could have received for selling the same units of gas at a higher price in an alternative market, being the DWGM. The price is based on the spot prices that applied in the DWGM over the relevant period – the APC of $40/GJ. The costs associated with using the gas in this alternative opportunity include the purchase cost for gas and the charges EA Ecogen would ordinarily incur when withdrawing gas for storage in Iona and then injecting into the DWGM. EA Ecogen proposes a gas sale price of $40/GJ, which is the APC as applied in the DWGM.

1.3 Information provided by EA Ecogen and AEMO

EA Ecogen provided information to the Commission in accordance with the requirements in the Guidelines on 3 November 2023.

The Commission verified certain information provided by EA Ecogen with the Australian Energy Market Operator (AEMO) and received verification of the spot price and generation revenue earned by EA Ecogen during the period.

EA Ecogen provided further information to support its claim in its submission to the draft opportunity cost methodology (DOCM) and in response to the Commission's draft decision, which was provided to EA Ecogen in August 2024.

The Commission notes EA Ecogen provided much of this additional information in confidence to assist the Commission's decision-making process. Therefore, only a portion of the additional information provided has been made public. Where required in this document, the Commission has discussed this additional information in a general form to not breach confidentiality requirements imposed by EA Ecogen.

1.4 Confidentiality

As acknowledged in the Guidelines, when performing its functions under clause 3.14.6 of the NER, the Commission is required to take all reasonable measures to protect from unauthorised use or disclosure of information given to it in confidence.[12]

EA Ecogen made a claim of confidentiality in respect of its demonstration of gas as a scarce resource, including its 2022 gas portfolio business plan. EA Ecogen has also made a claim of confidentiality in respect to its claim calculation, as it is based on private gas and electricity settlement data from AEMO.

The discussion of EA Ecogen's claim in this document is partly constrained in order to protect EA Ecogen's confidential information.

12 Section 24, Australian Energy Market Commission Establishment Act 2004. Section 31 of the National Electricity Law.

2 The Commission's assessment of EA Ecogen's claim

In assessing EA Ecogen's claim for compensation, the Commission has had regard to:

- its functions and the administered pricing compensation process under clause 3.14.6 of the NER
- the Guidelines[13]
- its powers under the National Electricity Law
- information and documents provided by EA Ecogen to support its claim, including any further information and documents provided in consultation with EA Ecogen pursuant to clause 3.14.6(r) of the NER
- submissions received on the draft opportunity cost methodology for EA Ecogen's claim
- information provided by AEMO in accordance with the Guidelines
- EA Ecogen's response to the draft decision.

This section outlines the Commission's assessment of EA Ecogen's eligibility to claim compensation and its opportunity costs methodology.

2.1 Eligibility to claim compensation

In the following sub-sections, the Commission seeks to answer the following questions regarding EA Ecogen's eligibility to claim compensation, including:

- Has the claimant demonstrated that it is an eligible party?[14]
- Has the claimant demonstrated that it had scarce capacity or resources as a result of a relevant limitation?[15]
- If yes, has the claimant suffered the foreclosure of an alternative opportunity to use that scarce capacity or resource more profitably at the same point in time or at a later point in time,[16] due to the imposition of the price cap?[17]

2.1.1 EA Ecogen is a party eligible to apply for compensation

EA Ecogen meets the eligibility criteria set out in the NER in regard to making a claim for administered pricing compensation (subject to the requirement that it has incurred total costs during each eligibility period that exceed the total revenue it received from the spot market during that period).[18]

EA Ecogen is registered by AEMO as a generator under the NER, and the units EA Ecogen is claiming compensation for are classified as scheduled generating units under Chapter 2 of the NER, making EA Ecogen a party eligible to apply for compensation.[19]

13 AEMC, Compensation guidelines, Final guidelines, 21 October 2021. https://www.aemc.gov.au/sites/default/files/documents/final_amended_compensation_guidelines.pdf

14 Clause 3.14.6(b) of the NER and Section 2 of the Guidelines.

15 Sections 5.3.2 and 5.3.3 of the Guidelines.

16 Section 5.3.1 of the Guidelines.

17 Clause 3.14.6(b) of the NER.

18 Clause 3.14.6(b) of the NER.

19 Part 2 of the Guidelines.

2.1.2 EA Ecogen is a party eligible for opportunity costs compensation

Opportunity costs can be claimed where it is demonstrated that a claimant's plant had scarce capacity or resources as a result of a relevant limitation (commercial or technical) that applied over the relevant period. Opportunity cost means the value of the best alternative opportunity for an eligible participant to use that scarce capacity or resources more profitably during the application of a price limit event or at a later point in time.[20]

In determining claims for opportunity costs, the Commission must assess the claimant's eligibility and its opportunity cost methodology. The Commission must also apply the Guidelines,[21] consult with the claimant,[22] and take into account the submissions made in response to the DOCM.[23]

The Commission has determined that EA Ecogen has demonstrated that it is eligible for opportunity costs compensation under the relevant provisions of the NER and the Guidelines.

EA Ecogen faced a relevant commercial limitation related to the scarcity of gas

The Commission accepts that at the time of the APP there was limited supply of wholesale gas, demonstrated by significant increases in east coast wholesale gas prices above historical levels. These very high gas prices resulted in the DWGM APC being imposed for the first time in the DWGM's history. In the context of scarce gas resources, EA Ecogen faced a commercial incentive to supply into the DWGM rather than the NEM during the APP due to a price difference between these two markets. A commercial incentive to sell the resource in another market due to price differences between markets is a commercial limitation specifically set out in section 5.3.3 of the Guidelines.[24]

EA Ecogen also claimed a relevant technical limitation. The Commission does not consider it necessary to consider whether EA Ecogen has established a technical limitation in this instance given it is satisfied that a relevant commercial limitation has been established.

EA Ecogen suffered the foreclosure of an alternative opportunity during the price limit event

The Commission's view is that the forgone opportunity claimed is consistent with an alternative opportunity as set out in the Guidelines. The Commission notes that EA Ecogen's use of its gas resources to supply electricity into the NEM would exclude it from using those same gas resources to sell into the DWGM in the same or future period more profitably.

The Commission accepts that:

- EA Ecogen could have received a higher price of $40/GJ for supplying the volume of gas in the DWGM, as DWGM spot prices cleared at the DWGM APC of $40/GJ on the majority of days during the APP. EA Ecogen provided evidence to demonstrate that its additional injection of gas would not have decreased the market clearing price below $40/GJ.
- the claimed alternative opportunity is consistent with EA Ecogen's historical market behaviour. EA Ecogen is a market participant in the Victorian DWGM and has secured the appropriate market rights to support the variable gas usage at Newport and Jeeralang stations. In its submission to the DOCM, EA Ecogen provided an illustrative example of a gas day where it decommitted Newport and ultimately withdrew the gas to storage at Iona to evidence that the alternative opportunity is consistent with historical market behaviour.

20 Section 5.3.1 of the Guidelines.

21 Clauses 3.14.6(n) and 3.14.6(s)(2) of the NER.

22 Clause 3.14.6(r) of the NER.

23 Clause 3.14.6(s)(1) of the NER.

24 Section 5.3.3 sub-point 3 of the Guidelines.

- EA Ecogen's gas trading systems and governance arrangements could have enabled or permitted it to take advantage of such an opportunity. EA Ecogen has provided evidence from relevant business areas that its teams have the knowledge, skills and tools as part of its BAU processes, and that it has the appropriate market rights in the DWGM and sufficient contracts related to supply, transport and storage to take advantage of its identified alternative opportunity.
- EA Ecogen has provided information and evidence from relevant business areas to suggest that it would have been able to access gas, storage and transportation capacity to be able to take advantage of the opportunity to sell gas into the DWGM.

2.2 The Commission's determination of the opportunity costs methodology

The Commission has determined that EA Ecogen has demonstrated that it is eligible for opportunity costs compensation under the relevant provisions of the NER and the Guidelines. This section outlines the Commission's approach to valuing EA Ecogen's opportunity costs.

2.2.1 The Commission's approach to valuing opportunity costs

The application of the compensation arrangements should ensure that participants with valid opportunity costs are no worse off from continuing to generate during the APP than if they had pursued the alternative opportunity. Claimants should therefore be compensated for any profit forgone as a result of continuing to supply or consume energy or services during the price limit event.

The Guidelines specify that for any type of claim, the total level of compensation is to be based on the formula given in Figure 2.1.

Figure 2.1: Equation to determine the total claimable amount

$$TCA = \sum_{t} (DC_t + OC_t + OTH_t - REV_t)$$

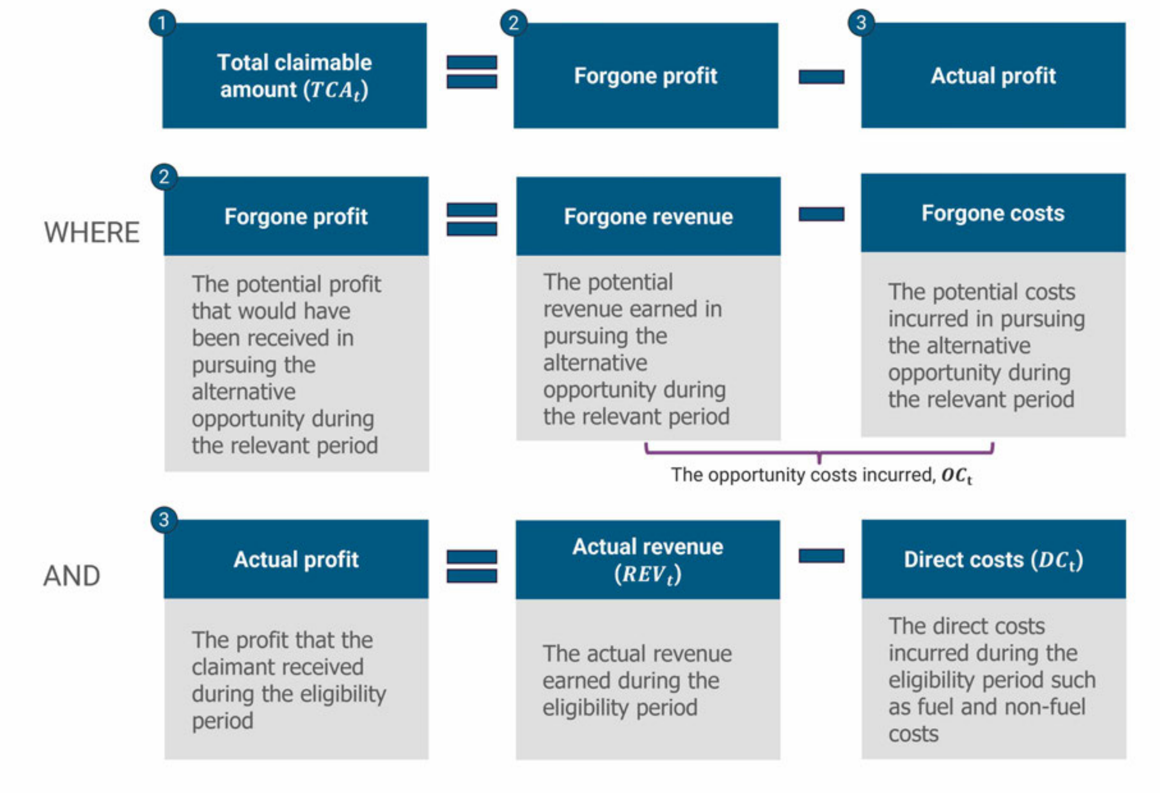
Source: AEMC guidelines, 2021, Figure 5.1.

Where:

- *TCA* = Total Claimable Amount.
- *DCt* = Direct costs incurred in the eligibility period(s).
- *OCt* = Opportunity costs incurred over the relevant period of time.
- *REVt* = Actual revenue.
- *OTHt* = Any other adjustments to the amount of compensation payable to be taken into consideration by the Commission.
- *t* = relevant period of time for which a claim is being made. The claimant is to define the time period(s) for which it is making a claim for compensation, which should be limited to periods where the price limit event applies. The relevant time period may vary depending on the type of claim. The AEMC would assess whether the claimant has demonstrated the requirements for a claim in the relevant time period(s).

Figure 2.2 sets out a diagrammatic demonstration of how this equation can be applied to an opportunity costs claim, and the information required from claimants to calculate the TCA.

Figure 2.2: Calculation of the total claimable amount



Source: AEMC, 2024.
Note: In line with the TCA formula, other adjustments (OTH_t) to the amount of compensation payable, such as subtraction of other forms of compensation received, may be taken into consideration by the Commission.

The value of the forgone opportunity, i.e., the opportunity costs variable, *OCt*, is the potential profit that would have been received if the claimant had pursued the alternative opportunity during the relevant period. It is calculated as the forgone revenue associated with the alternative opportunity (in the period of time and market in which the opportunity lies), less the costs that would have been incurred had the claimant pursued its alternative opportunity.

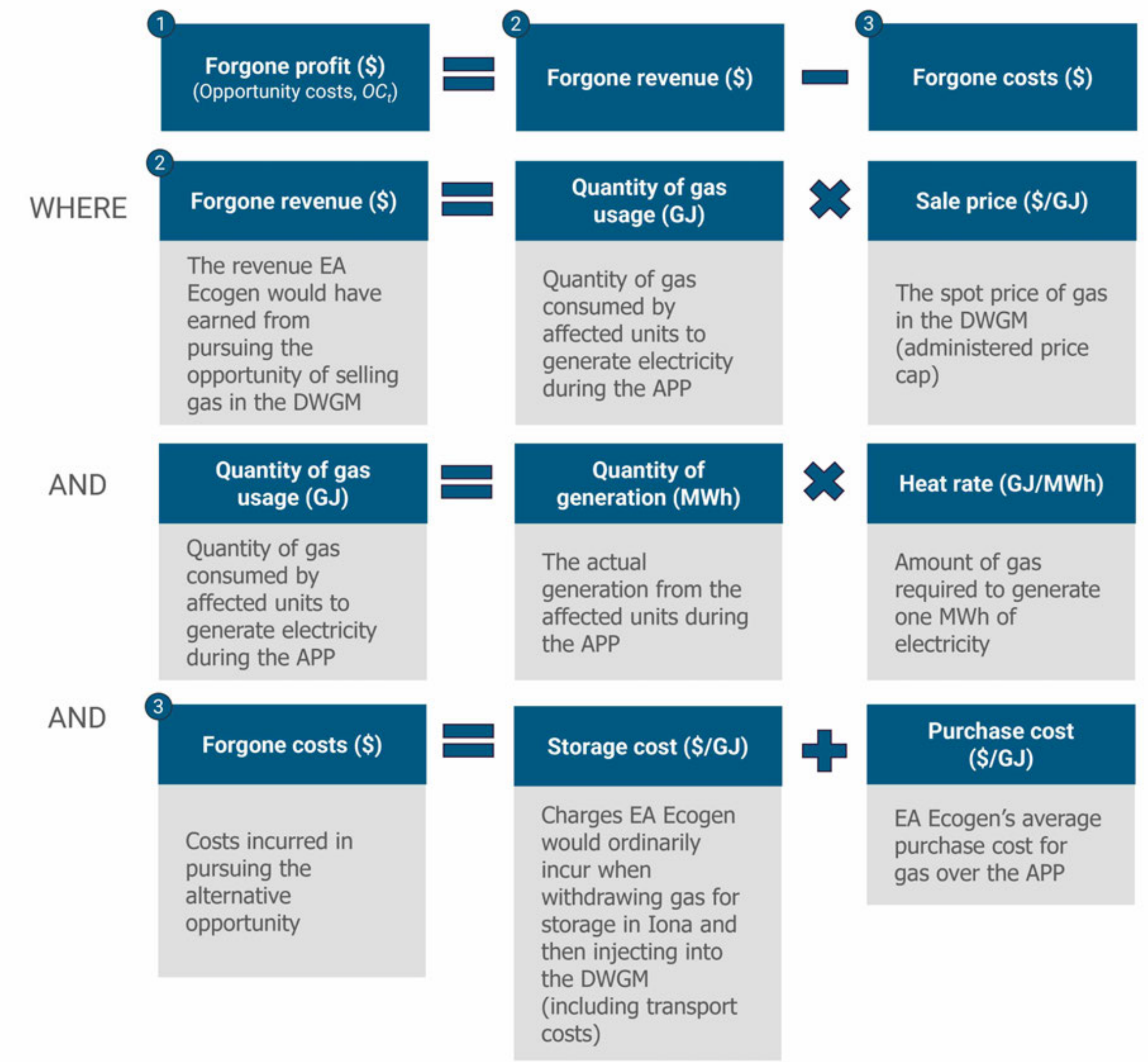
The *forgone revenue* associated with the alternative opportunity should reflect the quantity of resource sold multiplied by the price of the resource:

- The *quantity* component constitutes the quantum of generation that the claimant supplied to the NEM during the APP that is above what it would have preferred to supply, during the application of the APC.
- The *price* component is the price at which that quantum of generation is valued for the relevant period in which the forgone opportunity would have occurred.

2.2.2 Valuation of EA Ecogen's opportunity costs

Figure 2.3 shows the Commission's valuation methodology to determine the value of EA Ecogen's forgone profit (*OCt* in the equation presented in section 2.2.1), which is consistent with the valuation methodology proposed by EA Ecogen.

Figure 2.3: Commission's proposed valuation methodology for EA Ecogen



Source: AEMC, 2024.

The Commission notes that EA Ecogen has deducted the costs associated with pursuing the alternative opportunity, such as gas purchase costs and the charges it would incur when withdrawing gas for storage at Iona and then injecting into the DWGM (including transport costs). This proposed methodology is consistent with valuing the forgone profit from the alternative opportunity, rather than the forgone revenue.

The Commission agrees with EA Ecogen on the quantity of gas consumed by its generation units that applies to its forgone opportunity

With respect to the *quantity* component of revenue, the Commission's view is that EA Ecogen's determination of the quantity of gas consumed by the generation units that applies to its forgone opportunity is appropriate. EA Ecogen's claim assumes that no gas would have been used to supply into the electricity market in its alternative opportunity. The Commission is satisfied that it was technically possible for EA Ecogen to divert the gas used to generate during the APP into the DWGM.

The Commission agrees with EA Ecogen on the price that applies to its forgone opportunity

With respect to the *price* component of revenue, the Commission's view is that EA Ecogen's determination of the gas price that applies to its forgone opportunity is appropriate.

The Commission is satisfied that it was possible for EA Ecogen to sell the volume of gas in question into the DWGM over the relevant period, and to achieve the price of $40/GJ for the gas.

EA Ecogen has provided information in its submission to the DOCM to demonstrate that its additional injection of gas would not have decreased the market clearing price below $40/GJ. The Commission is satisfied that an injection of the quantity of gas that is the subject of this claim over multiple trading days would have been unlikely to have altered market outcomes materially in the DWGM such that the prices reduced below the APC of $40/GJ.

2.2.3 The Commission's approach is a market-based approach consistent with the hierarchy of principles outlined in the Guidelines

EA Ecogen's proposed methodology values opportunity costs by taking the quantity and cost of the gas consumed at its gas generation units and assuming that this gas would have been sold at a higher value in the DWGM at the same time or at a later date (at prices that actually prevailed in the DWGM at that time). The scenario is based on its ability to store gas and sell this gas into the DWGM at the same time or at a later date.

The valuation methodology proposed by EA Ecogen represents a market-based valuation in accordance with the hierarchy of principles outlined in section 5.3.4 of the Guidelines.

2.2.4 The Commission's approach aligns with the objective of the compensation scheme

The Commission seeks to apply a transparent approach, to the extent possible and where appropriate to the claim, to its assessment of claims for opportunity costs. We consider that this supports the stated objective[25] of the administered pricing compensation framework, which is to maintain the incentive for market participants to provide services during a price limit event.

Specifically, the approach adopted by the Commission is a market-based approach that utilises publicly available data to the extent possible and relies on a DWGM price, which was transparent to the market during the APP.

The Commission notes that all administered pricing compensation claims are assessed on their individual merits, and decisions on one claim do not necessarily mean that the Commission will decide in the same way on another claim.

2.3 We have considered stakeholders' views in assessing EA Ecogen's claim

In making this final decision, the Commission has considered stakeholder feedback through submissions to the DOCM published on 27 June 2024,[26] and EA Ecogen's submission in response to our draft decision.

The Commission received submissions on the DOCM pertaining to EA Ecogen's opportunity cost claim, from EA Ecogen and AGL Energy Limited (AGL):

- EA Ecogen provided supplementary information in response to the further evidence sought by the Commission in the DOCM, including:

25 Clause 3.14.6(c) of the NER.

26 Clause 3.14.6 (o) of the NER.

  - evidence to demonstrate that the claimed alternative opportunity is consistent with EA Ecogen's historical market behaviour
  - evidence from relevant business areas to demonstrate that its gas trading systems and governance arrangements would have enabled or permitted it to take advantage of such an opportunity
  - evidence that the additional injection of gas into the DWGM could be supported without impacting the $40/GJ opportunity cost.
- AGL noted that it considers the Commission's assessment to be appropriate. However, it has noted that the Commission should consider whether the claimant had the ability to supply gas into the relevant injection points for the DWGM to evidence that the alternative opportunity was a real opportunity forgone. AGL recommended the Commission consider whether the claimant's offers into the DWGM demonstrated that it would have taken advantage of the opportunity.

In relation to the points raised by AGL, the Commission is satisfied on the basis of the information provided by EA Ecogen (including further information specifically sought from and provided by EA Ecogen in response to the draft decision) that it had the ability to supply gas into the DWGM during the period of the forgone opportunity for the reasons discussed above. The Commission is also satisfied that EA Ecogen's bidding behaviour into the DWGM indicates that the forgone opportunity could have been realised.

3 The Commission's determination of the quantum of compensation

3.1 EA Ecogen's eligibility to claim compensation for individual eligibility periods

Under the NER and Guidelines, a claimant is eligible for compensation in an eligibility period if it is an eligible party and has incurred total costs during the eligibility period that exceed the total revenue it received from the spot market during that period.[27]

An eligibility period is the period starting at the beginning of the first trading interval in which the price limit event occurs in a trading day and ending at the end of that trading day (i.e. at 4:00am on the following day).[28] The below table details the relevant eligibility periods to determine compensation claims under clause 3.14.6 of the NER.

Table 3.1: Eligibility periods for determining claims for compensation

Trading day	Queensland	New South Wales	South Australia	Victoria
12 June 2022	From 6:55pm to end of trading day	-	-	-
13 June 2022	Entire trading day	From 6:35pm to end of trading day	From 10:00pm to end of trading day	From 10:05pm to end of trading day
14 June 2022	Entire trading day	Entire trading day	Entire trading day	Entire trading day
15 June 2022	Entire trading day	Entire trading day	Entire trading day	Entire trading day

Note: All specified times are in Eastern Standard Time.

Although EA Ecogen's claim is for the eligibility periods from 4.05am on 14 June 2022 to 2.00pm on 15 June 2022, each trading day (or part of a trading day) within this period is a separate eligibility period for the purposes of this claim.[29] This is because the Commission is required by clause 3.14.6(b) of the NER to consider EA Ecogen's eligibility based on total costs and total revenue over each entire eligibility period.

3.1.1 EA Ecogen is eligible to claim compensation for 14 and 15 June 2022

The table below presents the calculation of EA Ecogen's net position, equal to total costs less total revenues over each eligibility period. A claimant is only eligible in an eligibility period where its net position is a loss (shown by a positive number in the *Net position* column in the table).

Table 3.2: Calculation of net position to assess eligibility

Eligibility period	Opportunity costs* (+)	Direct costs (+)			Spot market revenue (-)	Net position (=)
		Fuel costs	Operation and maintenance costs	Other costs		
14 June 2022 (entire	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

27 Clause 3.14.6(b) of the NER.

28 Clause 3.14.6(a) of the NER.

29 Clause 3.14.6(a) of the NER. See also definition of 'trading day' in Chapter 10 of the NER.

Eligibility period	Opportunity costs* (+)	Direct costs (+)			Spot market revenue (-)	Net position (=)
		Fuel costs	Operation and maintenance costs	Other costs		
trading day)						
15 June 2022 (entire trading day)**	[redacted]	[redacted]		[redacted]	[redacted]	

Source: AEMC, based information provided by EA Ecogen and AEMO. *Opportunity costs are as calculated by the AEMC. ** Newport did not generate on 15 June 2022 and is not included in the calculations for this trading day.
Note: A positive net position indicates the claimant made a loss, while a negative net position indicates the claimant made a profit.

The Commission has determined EA Ecogen is eligible to claim compensation in respect of its scheduled generating units during the APP for trading days of 14 and 15 June 2022. When all relevant costs and revenues are included, EA Ecogen's total costs (both direct and opportunity costs) incurred during the eligibility periods commencing on 14 and 15 June 2022 exceeded the total revenue it received from the spot market during those periods, for the generating units that are the subject of the claim.[30] This applies to EA Ecogen's claims for direct and opportunity cost compensation.

3.2 Calculation of opportunity costs

The amount at which EA Ecogen has valued its opportunity costs is [redacted].

EA Ecogen has claimed both the direct and opportunity costs for the units that are the subject of the opportunity cost component of the claim. The Commission has calculated the value of opportunity cost as being the value forgone or profit, which is equal to the forgone revenue less the costs incurred in generating the forgone revenue.

EA Ecogen has provided storage costs at Iona Gas Plant for its gas supply to substantiate the forgone costs that would have been incurred. The Commission has reviewed the information provided by EA Ecogen and verified this information with AEMO against market data where available.

The Commission has determined the opportunity costs to be [redacted], calculated as set out in the below table. This has been calculated by applying the Commission's methodology outlined in Figure 2.3 above.

Table 3.3: Calculation of opportunity cost

DUID	Component	14/06/2022	15/06/2022	Sub-total
Newport	**A:** Quantity (GJ)	[redacted]	[redacted]	[redacted]
	B: Forgone revenue ($)	[redacted]	[redacted]	[redacted]
	C: Forgone costs ($)	[redacted]	[redacted]	[redacted]
	D = B-C:	[redacted]	[redacted]	[redacted]

30 The Commission notes that EA Ecogen made a net loss based solely on the direct costs incurred during these eligibility periods.

DUID	Component	14/06/2022	15/06/2022	Sub-total
	Opportunity cost ($)			
Jeeralang	**A:** Quantity (GJ)	[redacted]	[redacted]	[redacted]
	B: Forgone revenue ($)	[redacted]	[redacted]	[redacted]
	C: Forgone costs ($)	[redacted]	[redacted]	[redacted]
	D = B-C: Opportunity cost ($)	[redacted]	[redacted]	[redacted]
Total	**A:** Quantity (GJ)	[redacted]	[redacted]	[redacted]
	B: Forgone revenue ($)	[redacted]	[redacted]	[redacted]
	C: Forgone costs ($)	[redacted]	[redacted]	[redacted]
	D = B-C: Opportunity cost ($)	[redacted]	[redacted]	[redacted]

Source: AEMC, based on information provided by EA Ecogen and AEMO.

3.3 Calculation of direct costs

3.3.1 Fuel costs

In accordance with the Guidelines, claimants may claim compensation for fuel costs incurred during the relevant eligibility period(s). Higher than normal fuel costs may also be included, with supporting reasoning to explain why they were incurred.[31]

EA Ecogen has claimed [redacted] as compensation for fuel costs incurred during the relevant eligibility period.

EA Ecogen provided a time series of its gas usage on an hourly (gas market trading interval) basis, along with a calculation of the effective spot purchase price of gas used for each trading day of each eligibility period to evidence its claim.

The Commission has reviewed EA Ecogen's fuel cost information and determined that the fuel costs being claimed are permitted under the Guidelines.[32] A minor calculation error in EA Ecogen's original submission and an error in one of EA Ecogen's inputs related to fuel costs have been rectified in consultation with the claimant.

The Commission has calculated the fuel costs to be [redacted].

31 See clause 3.14.6(e) of the NER and section 5.2.1 of the Guidelines.

32 Clause 3.14.6(e) of the NER and section 5.2.1 of the Guidelines.

3.3.2 Operation and maintenance costs

In accordance with the Guidelines, claimants may claim compensation to cover operation and maintenance expenses directly attributable to the pattern of operation to provide energy, wholesale demand response or market ancillary services during the relevant eligibility period(s).[33]

EA Ecogen has claimed [redacted] in operation and maintenance costs, comprising [redacted] in transport costs and [redacted] in start costs.

To substantiate its claim, EA Ecogen provided:

- the tariffs charged by APA for the supply of gas to the affected power stations.
- information on the derivation of start costs as “the maintenance costs (materials, refurbishment and labour) for the turbine allocated to each start”, and a detailed description of the start cost breakdown.

The Commission has reviewed EA Ecogen’s operation and maintenance cost information and determined that the costs being claimed are permitted under the Guidelines.[34] An error in one of EA Ecogen’s inputs related to operation and maintenance costs has been rectified in consultation with the claimant.

The Commission has calculated the operation and maintenance costs to be [redacted], comprising [redacted] of transport costs, and [redacted] of start costs.

3.3.3 Other costs

EA Ecogen has claimed a loss for the provision of ancillary services. During the eligibility period, the FCAS recovery amount received is less than the FCAS payments incurred.

Although not specifically listed in section 5.2 of the Guidelines as a type of direct cost when the spot price during an APP is set by the APC, the FCAS costs incurred by Newport power station and Jeeralang power station are directly attributable to the pattern of operation to provide energy during the relevant eligibility periods. If the eligible power stations had not provided energy during the relevant eligibility periods, then it would not have incurred any FCAS costs.

For the reasons above, the Commission has determined that the FCAS costs are direct costs under the NER and compensation guidelines.[35]

EA Ecogen has claimed [redacted] as compensation for ancillary services costs incurred during the relevant eligibility period.

To substantiate this claim, EA Ecogen provided the net FCAS settlement in the NEM for the station and eligibility period. The Commission has reviewed the FCAS costs provided by EA Ecogen and verified this information with AEMO against market data.

The Commission has calculated the ancillary services costs incurred during the relevant eligibility period to be [redacted].

3.3.4 Excluded costs

In accordance with the Guidelines, claimants may not claim compensation for certain categories of costs set out in section 5.2.4 unless they demonstrate a compelling case based on extraordinary circumstances.

33 Clause 3.14.6(e) of the NER and section 5.2.1 of the Guidelines.
34 Clause 3.14.6(e) of the NER and section 5.2.1 of the Guidelines.
35 Clause 3.14.6(e) of the NER and section 5.2.2 of the Guidelines.

EA Ecogen has not made a claim for any excluded costs.

3.4 Calculation of actual or potential revenue

In accordance with the Guidelines, the Commission has deducted the amount of actual revenue (including spot market revenue) earned during the eligibility period(s) from EA Ecogen's claim.[36]

EA Ecogen has provided information on its spot market revenue during the application of the APC in the administered price period. AEMO has also provided details of the spot market revenue that EA Ecogen has received in respect of the period over which the claim for compensation has been made.

The Commission has calculated the actual revenue to be [redacted] based on the information provided by EA Ecogen on its spot market revenue during the application of the APC in the APP.

3.5 Other adjustments

3.5.1 Financing costs

In accordance with the Guidelines, the Commission may recognise reasonable financing costs with respect to the time between the event occurring and any compensation being awarded. The Commission may also have regard to the timing of relevant revenues had the compensation events not occurred. In determining such costs, the Commission can also take into account any unreasonable delays from the claimant in providing the necessary information. The Commission assesses any financing costs on a case-by-case basis.[37]

EA Ecogen has not made a claim for financing costs.

3.5.2 Other sources of compensation

In determining the amount of compensation payable, the Commission may take into account the value of any other sources of compensation paid, to be paid, or under consideration to be paid, to the claimant where that compensation arises out of the same events and covers the same costs that are the subject of this compensation claim.[38]

EA Ecogen has not claimed or received other sources of compensation. AEMO has confirmed that EA Ecogen has not received any other compensation or made any claims for additional compensation to AEMO arising out of the same events the subject of this compensation claim. The Commission notes that the time for EA Ecogen to make any such claims for compensation from AEMO has now expired.

3.6 Total amount of compensation

The Commission has determined EA Ecogen is eligible to be paid compensation by AEMO

The Commission has determined that:

- EA Ecogen is eligible to claim compensation in respect of its in respect of its Newport and Jeeralang gas-fired power stations in Victoria during the APP for the trading days commencing on 14 June and 15 June 2022 as it has demonstrated it had incurred a net loss on these trading days.

36 Section 5.1.4 of the Guidelines.

37 Section 5.1.5 of the Guidelines.

38 Section 5.1.5 of the Guidelines.

- EA Ecogen notified the AEMC and AEMO of its intention to claim compensation in accordance with clause 3.14.6(h) and (i) of the NER.
- The information provided by EA Ecogen to support and substantiate its claim complies with the Guidelines.
- The opportunity costs claimed by EA Ecogen are consistent with the definition of opportunity costs outlined in the Guidelines:
  - EA Ecogen has demonstrated that its plant had scarce capacity or resources as a result of a relevant limitation, consistent with the Guidelines.
  - EA Ecogen has demonstrated that it was prevented from using that scarce capacity or resources more profitably at a later point due to the imposition of a price cap during a price limit event.
  - EA Ecogen has calculated the value of the more profitable alternative opportunity using a market-based approach that compensates for any profit forgone as a result of continuing to supply or consume energy or services during the price limit event.
- The direct costs claimed by EA Ecogen are consistent with the categories of cost permitted in the Guidelines.

EA Ecogen is entitled to receive total compensation of $1,516,254.14 (exclusive of GST) in respect of its claim

The TCA for this direct and opportunity cost claim is calculated in accordance with the formula set out at Figure 2.1.

The Commission has determined EA Ecogen's TCA as follows:

- opportunity costs (forgone profit) incurred in the relevant period(s) in the amount of [redacted]
- plus direct costs incurred in the eligibility period(s) in the amount of [redacted]
- minus actual revenue from the spot market in the amount of [redacted].

The Commission will write to AEMO to advise of the total amount of compensation payable for each relevant eligibility period by trading interval, exclusive of GST. AEMO will then recover the cost of compensation from market customers who purchased energy from the spot market in the relevant eligibility periods in the cost recovery region(s).[39]

The NER provide the process and formulae for AEMO to recover the compensation payable from market customers in the cost recovery region(s).[40]

Clause 3.15.10(c) of the NER also requires AEMO to include in preliminary and final settlement statements separate details of any compensation amounts payable by or to market participants within 25 business days of AEMO being notified by the AEMC that compensation is to be paid under clause 3.14.6 of the NER.

3.7 Recovery of the AEMC's costs

Consistent with clause 3.14.6(v) of the NER, the AEMC will recover costs incurred by the AEMC in carrying out its functions in respect of assessing EA Ecogen's opportunity cost claim.

The costs to be recovered from EA Ecogen in respect of its claim:

39 Clause 3.15.10 of the NER.

40 Clause 3.15.10 of the NER.

- include costs incurred by the AEMC in engaging external contractors to support the opportunity costs claim assessment
- exclude AEMC staff costs and staff on-costs (such as payroll, utilities, hardware) incurred in assessing EA Ecogen's claim
- exclude costs that are not directly attributable to EA Ecogen's opportunity costs claim; for example, external contractor costs for advice relating to opportunity cost claims in general.

The Commission will advise EA Ecogen of the costs to be recovered from EA Ecogen under clause 3.14.6(v) of the NER following publication of this decision.

Further information on the recovery of the Commission's costs is provided in **Appendix B**.

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
APC	Administered price cap
APP	Administered price period
Commission	See AEMC
DOCM	Draft opportunity cost methodology
DWGM	Declared Wholesale Gas Market
EA Ecogen	EnergyAustralia Ecogen Pty Ltd
Guidelines	Final guidelines for administered pricing compensation
Iona	Iona Gas Storage Facility
MDQ	Maximum Daily Quantity
NEM	National Electricity Market
NER	National Energy Rules
TCA	Total amount of compensation

A Background

Wholesale spot prices in the National Electricity Market (NEM) can vary within a range of between minus $1,000 per MWh[41] and $15,500 per MWh.[42]

Persistent high or low prices can create risks for participants and impact the stability of the market. To limit this variation, at times of extreme prices where the cumulative price threshold (CPT)[43] is exceeded, the administered price cap (APC) of $600 per MWh and the administered floor price of -$600 per MWh is applied to spot prices.[44]

At the time of the June 2022 market events to which this claim for compensation relates:

- the MPC was $15,100/MWh[45]
- the CPT was $1,359,100; and[46]
- the APC was $300/MWh.[47]

A.1 Administered pricing compensation

The NER under clause 3.14.6 and the AEMC compensation guidelines (Guidelines) (published by the Commission under clause 3.14.6(e) of the NER) set out a process for market participants to claim compensation for certain losses incurred during an administered pricing period where the APC or administered floor price is applied.

The purpose of administered pricing compensation is to minimise disincentives during administered price periods

The potential for market participants such as generators, particularly those with high costs, to incur a loss during these administered price periods may create a disincentive for them to supply energy and ancillary services, which could in turn have a negative impact on the security and reliability of the electricity system.

To minimise these disincentives, the NER allow participants to claim administered pricing compensation if they incur a loss during price limit events, being periods in which the spot price is set by the APC during an administered price period.[48] The Commission administers this compensation process. Prior to June 2022, there has only been one claim for compensation arising from an administered price period, which occurred in January/February 2009.[49]

41 This amount is the 'market floor price' under clause 3.9.6(b) of the NER.

42 This amount is the 'market price cap' (MPC) under clause 3.9.4 of the NER. Under clause 3.9.4(d) of the NER, the MPC must be adjusted in line with the consumer price index each year. At the time of the market events occurring in June 2022, the MPC was $15,100/MWh. As of 1 July 2022, the MPC is $15,500/MWh.

43 The CPT represents the limit of aggregate dispatch prices over a period of seven days (2,016 trading intervals). Under clause 3.14.1(e) of the NER, the CPT must be adjusted in line with the consumer price index each year. At the time of the market events occurring in June 2022, the CPT was $1,359,100. As of 1 July 2022, the CPT is now set at $1,398,100.

44 Clauses 3.14.1 and 11.155.2 of the NER.

45 Under clause 3.9.4(d) of the NER, the MPC must be adjusted in line with the consumer price index each year. As of 1 July 2024, the MPC is $17,500/MWh.

46 Under clause 3.14.1(e) of the NER, the CPT must be adjusted in line with the consumer price index each year. As of 1 July 2024, the CPT is $1,573,700.

47 As a result of making the National Electricity Amendment (Amending the administered price cap) Rule 2022, the administered price cap is $600/MWh on and from 1 December 2022 until the end of 30 June 2025.

48 See clause 3.14.6 of the NER. A price limit event also includes where the spot price for a trading interval is set as a result of price scaling (i.e. the application of clause 3.14.2(e)(2)), and for market participants in respect of scheduled load where the spot price for a trading interval is set by the administered floor price or the result of price scaling (under clause 3.14.2(e)(4)), for scheduled network service providers the spot price for a trading interval for a region towards which it is transporting power is set by the APC or price scaling, and for ancillary service providers where the ancillary service price for a trading interval is set by the APC during an administered price period.

49 AEMC 2010, Compensation claim from Synergen Power Pty Ltd, Final decision, 8 September 2010. https://www.aemc.gov.au/markets-reviews-advice/compensation-claim-from-synergen-power

A.2 Market events in June 2022

On 12 June 2022, the cumulative price threshold (CPT) was exceeded for the Qld region and the APC of $300/MWh was applied under clause 3.14.2(d1) of the NER from 6:55pm on that day. Price scaling applied to the other mainland National Electricity Market (NEM) regions when energy was flowing towards Qld. On 13 June 2022, the CPT was exceeded in the NSW, Victoria (Vic) and South Australia (SA) regions (from 6:35pm in NSW, 10:00pm in SA and 10:05pm in Vic). The APC of $300/MWh was therefore applied in each mainland NEM region.

The APC application in those regions coincided with reductions in the amount of generation bid into the market, resulting in a requirement for AEMO to intervene to maintain system reliability. At 2:05pm on 15 June 2022, AEMO determined that it was necessary to suspend the spot market in all regions of the NEM under clause 3.14.3 of the NER. During this period of market suspension, spot prices were no longer set by the APC but rather, were set in accordance with the market suspension pricing schedule published by AEMO. On 22 June 2022, AEMO released its criteria and process for lifting the market suspension.

APPs officially ended when the CPT was no longer exceeded. In SA, this occurred on 22 June 2022 and in NSW, Qld and Vic, this occurred on 23 June 2022. Normal dispatch pricing resumed on 23 June 2022. The market suspension was formally lifted by AEMO in all regions from 2:00pm on 24 June 2022.

B Administered pricing compensation process

Eligibility to claim for compensation

Parties eligible to make a claim for administered pricing compensation are:

- Scheduled Generators, Non-Scheduled Generators and Scheduled Network Service Providers to supply energy,
- Ancillary Service Providers to supply ancillary services,
- Market Participants with scheduled loads to consume energy, and
- Demand Response Service Providers to supply wholesale demand response.

These parties can claim compensation if they supplied energy or other services during an administered pricing period and incurred a net loss. That is, their direct and/or opportunity costs exceeded their total revenue from the spot market over an entire "eligibility period" (the period from the first trading interval of a trading day where the spot price is set by the administered price cap, until the end of that trading day). There may be multiple eligibility periods within an administered price period.

Direct costs are costs directly incurred by eligible participants due to a price limit event.

Opportunity costs are the value of opportunities forgone by eligible participants due to the price limit event as defined in the Guidelines.

Making a claim

The Guidelines set out how participants can make a claim for compensation for direct costs and opportunity costs following the application of an APC. The AEMC is required to apply the Guidelines in assessing claims for compensation unless it is satisfied there are compelling reasons not to do so.

If a party decides to make a claim, the following applies:

- The claimant must provide notification in writing that it is making a claim within five business days of notification by AEMO of the end of the APP to both:
- AEMC at applications@aemc.gov.au
- AEMO at NEMIntervention@aemo.com.au
- This notification in writing will include the:
  - APP and price limit event.[50]
  - Region(s) in which the APP and price limit event applied.
- The notification will state whether the claim is a direct cost claim or a claim that includes opportunity costs.
- It is possible to claim direct costs and opportunity costs for the same price limit event.

Commencing formal assessment of a claim

- After receiving the notification to make a claim, the AEMC will publish a notice of receipt. The AEMC will then seek information from the claimant that we consider required to enable assessment of the claim - if the claim includes opportunity costs, this information must include the methodology used by the claimant to determine its opportunity costs.

50 Price limit events(s) refer to a period in which the spot price is set by the APC during an APP or as a result of price scaling.

- The claimant subsequently provides substantiation. The onus is on the claimant to provide evidence and justification. There is no set time period for this step. Any claims of confidentiality in respect of information provided by the claimant to the AEMC must be specified in the claim.
- The AEMC will commence formal assessment as soon as practicable after receiving sufficient information from the claimant.
- A notice will be published on the AEMC website that formal assessment has started.

Assessing and making a final decision with respect to a claim

- The assessment process for direct and opportunity costs is set out in the Guidelines. Claims will be assessed in accordance with the statutory timeframes.
- For **direct cost claims**, the following key steps apply:
    - Commencement of formal assessment (once sufficient information is received from claimant – see above)
    - Assessment of claim
    - Consultation with claimant
    - Final determination of compensation payable (45 business days after formal commencement)
    - AEMC notifies AEMO of final amount payable
    - AEMO includes details of amounts payable by or to market participants within 25 days of being notified by the AEMC.
- For **opportunity cost claims**, the following key steps apply.
    - Commencement of formal assessment (once sufficient information is received from claimant see above)
    - Assessment of claim
    - Publish claimant's proposed methodology and AEMC's draft methodology for public consultation (within 35 business days of formal commencement)
    - Close of consultation (minimum of 20 business days after publication of draft methodology)
    - Final determination of compensation payable (35 business days after close of submissions)
    - AEMC notifies AEMO of final amount payable
    - AEMO includes details of amounts payable by or to market participants within 25 days of being notified by the AEMC.

Recovery of the Commission's costs of claim

The Commission may recover from a claimant any costs incurred by the AEMC in carrying out its functions in respect of its claim.[51] The AEMC may require the claimant to pay all or a proportion of those costs to the AEMC prior to the claim being considered or determined.

The Commission will exercise its discretion in deciding whether to recover processing and administrative costs from the claimant and will assess any costs to be recovered from a claimant on a case-by-case basis.

51 Clause 3.14.6(v) of the NER.

The Commission has decided to recover costs incurred by the AEMC in engaging external contractors to support its functions in respect of assessing opportunity costs claims made in relation to the June 2022 APP.

Costs will be recovered from opportunity cost claims that proceed to formal commencement, with the cost recovery amount being calculated once the claim is closed, whether that is through the AEMC issuing a final decision or the claimant withdrawing its claim.

The Commission has decided at this stage not to recover costs from claimants for direct cost claims made in relation to the June 2022 APP.

C Chronology of the compensation assessment process

The following table sets out the timing of EA Ecogen's compensation assessment process.

Table C.1: Chronology of EA Ecogen's compensation assessment process

Date	Event
22 June 2022	Notice of claim received
3 November 2023	Supporting information received
16 May 2024	Formal assessment commenced
27 June 2024	Draft opportunity cost methodology published
26 July 2024	Close of submissions on draft opportunity cost methodology
15 August 2024	Draft decision provided to EA Ecogen
15 August – 22 August 2024	Consultation with the claimant on the draft decision
12 September 2024	Final decision published