



Changes to market suspension pricing arrangements

Final determination and final rule published

The Australian Energy Market Commission (AEMC or Commission) has made a rule in response to a rule change request received from the Australian Energy Market Operator (AEMO). The rule simplifies the process for setting prices if the spot electricity market is suspended, and establishes a simpler, more workable market suspension pricing framework.

Final rule

The key features of the final rule are:

- Removal of two market suspension pricing regimes from the National Electricity Rules (NER). These are the neighbouring region pricing and pre-dispatch pricing schedule regimes.
- Allowing AEMO to apply dispatch pricing at any time during a market suspension if:
 - in AEMO's reasonable opinion, it is practicable to resume central dispatch and the determination of dispatch prices and ancillary service prices, and
 - the market was suspended other than in response to a jurisdictional direction.
- Where AEMO has suspended the market in response to a jurisdictional direction, the relevant jurisdiction must agree to a return to dispatch pricing before this pricing regime can apply.
- Harmonising the price scaling provisions applicable during market suspension with the pricing scaling provisions applicable for other administered prices.
- Amending other NER provisions to reflect the preceding changes.

Background

On 25 July 2017, the AEMC received a rule change request from AEMO to amend the National Electricity Rules in relation to pricing during periods of market suspension. The rule change request sought to:

- reduce the number of suspension pricing regimes available and simplify the decision-making process for applying them
- harmonise the price-scaling provisions applicable during periods of market suspension with other price scaling provisions in the NER, and
- allow AEMO to revert to dispatch pricing while the market is suspended, if conditions allow.

This request related to several recommendations made by AEMO in its final incident report for the Black System event which occurred in South Australia on 28 September 2016.

The final rule establishes a simpler and more efficient market suspension pricing framework

Commission's reasons

The final rule will, or is likely to, contribute to the achievement of the NEO for the following reasons:

- Greater transparency around, and predictability of, the pricing arrangements during market suspension. This will promote confidence in the market suspension pricing arrangements. By removing two of the four pricing regimes, the final rule will establish a simple, workable framework which allows AEMO to focus on addressing the underlying cause of the market suspension.
- Providing for prices to be set through the central dispatch process, where conditions allow, will enable prices to be as informationally efficient as practicable, leading to more efficient outcomes even when the spot market is suspended.
- Changes to the price scaling provisions applicable during market suspension will enable AEMO to price-scale in real time, providing participants with accurate and timely pricing information. The changes will also facilitate automation of the price-scaling process, resulting in greater administrative efficiencies for AEMO.

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