



National Electricity Amendment (Compensation Arrangements following application of an Administered Price Cap and Administered Floor Price) Rule 2016 No. 1

under the National Electricity Law to the extent applied by:

- (a) the National Electricity (South Australia) Act 1996 of South Australia;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria; and
- (g) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Pierce
Chairman
Australian Energy Market Commission

National Electricity Amendment (Compensation Arrangements following application of an Administered Price Cap and Administered Floor Price) Rule 2016 No. 1

1 Title of Rule

This Rule is the *National Electricity Amendment (Compensation Arrangements following application of an Administered Price Cap and Administered Floor Price) Rule 2016 No.1.*

2 Commencement

Schedule 1 of this Rule commences operation on 29 September 2016.

Schedule 2 of this Rule commences operation on 4 February 2016.

3 Amendment of the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4 Savings and Transitional Amendments to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 2.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 3.14.6 Compensation due to the application of an administered price, market price cap or market floor price

Omit clause 3.14.6 including the heading and substitute:

3.14.6 Compensation due to the application of an administered price cap or administered floor price

Eligibility for compensation

(a) For the purposes of this clause 3.14.6:

compensation guidelines means the guidelines made by the *AEMC* under paragraph (e).

direct costs means the costs directly incurred by the claimant due to a price limit event.

direct cost only claim means a claim made under paragraph (i) that does not include a claim for opportunity costs.

eligibility period means 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 the final *dispatch interval* of the last *trading interval* of that *trading day*.

opportunity costs means the value of opportunities foregone by the claimant due to the price limit event as defined in the compensation guidelines.

price limit event means:

(1) for *Scheduled Generators* and *Non-Scheduled Generators*:

- (i) the *dispatch price* for a *dispatch interval* is set by the *administered price cap* during an *administered price period*; or
- (ii) the *dispatch price* for a *dispatch interval* is set as a result of the application of clause 3.14.2(e)(2);

(2) for *Market Participants* in respect of *scheduled load*:

- (i) the *dispatch price* for a *dispatch interval* is set by the *administered floor price* during an *administered price period*; or

- (ii) the *dispatch price* for a *dispatch interval* is set as a result of the application of clause 3.14.2(e)(4); and
- (3) for *Scheduled Network Service Providers*:
 - (i) the *dispatch price* for a *dispatch interval* for a *region* towards which the *Scheduled Network Service Provider* is transporting power is set by the *administered price cap* during an *administered price period*; or
 - (ii) the *dispatch price* for a *dispatch interval* for a *region* towards which the *Scheduled Network Service Provider* is transporting power is set as a result of the application of clause 3.14.2(e)(2).
- (4) for *Ancillary Service Providers*, in respect of an *ancillary generating unit* or an *ancillary service load*, the *ancillary service price* for a *dispatch interval* is set by the *administered price cap* during an *administered price period*.

relevant region means a *region* in which the *dispatch price* or *ancillary service price* (as relevant) is set by the price limit event.

total costs means the direct costs and opportunity costs determined in accordance with the compensation guidelines provided that, in the case of a claimant that is a *Market Network Service Provider*, the total costs must be the costs incurred due to transporting power towards the relevant region and must not include costs incurred, or revenues earned, due to transporting power away from the relevant region.

- (b) If a price limit event occurs then the following *Registered Participants* are eligible to claim compensation for the eligibility period:
 - (1) a *Scheduled Generator* or *Non-Scheduled Generator* in the relevant region;
 - (2) a *Market Participant* in respect of a *scheduled load* that has been *dispatched* in the relevant region in that eligibility period;
 - (3) a *Scheduled Network Service Provider* that transported power towards the relevant region; and
 - (4) an *Ancillary Service Provider* that provided *market ancillary services* in the relevant region in the eligibility period,

provided that the relevant claimant has incurred total costs during the eligibility period that exceed the total revenue it received from the *spot market* during that period.

Compensation - objective and basis

- (c) The objective of the payment of compensation under this clause 3.14.6 is to maintain the incentive for:
 - (1) *Scheduled Generators, Non-Scheduled Generators and Scheduled Network Service Providers* to supply energy;
 - (2) *Ancillary Service Providers* to supply *ancillary services*; and
 - (3) *Market Participants with scheduled load* to consume energy ,
during price limit events.
- (d) The amount of compensation payable in respect of a claim under this clause 3.14.6 must be based on direct costs and opportunity costs.

Compensation guidelines

- (e) The *AEMC* must, in accordance with the *transmission consultation procedures*, develop and *publish* guidelines (**compensation guidelines**) that are consistent with paragraphs (c) and (d) and that:
 - (1) define the types of opportunity costs in relation to which a person can make a claim under this clause 3.14.6;
 - (2) outline the methodology to be used to calculate the amount of any compensation payable in respect of a claim under this clause, including the methodology for calculating direct costs and opportunity costs; and
 - (3) set out the information *AEMO* and a claimant must provide to enable the *AEMC* to make a determination as to compensation under this clause 3.14.6.
- (f) The *AEMC* must ensure that there are compensation guidelines in place at all times.

Note:

The first compensation guidelines were made on 30 June 2009 and have been amended from time to time since that date. The current version of the compensation guidelines are available on the *AEMC*'s website www.aemc.gov.au.

- (g) The *AEMC* may from time to time, in accordance with the *transmission consultation procedures*, amend or replace the compensation guidelines.

Process for making a claim

- (h) A person who is eligible under paragraph (b) may make a claim for compensation by providing the *AEMC* and *AEMO* with written notice of its claim in the form required by the compensation guidelines.
- (i) A claim under paragraph (h) must be made within 5 *business days* of notification by *AEMO* that an *administered price period* has ended.

Initial steps on receipt of claim

- (j) Following its receipt of a notice under paragraph (h), the *AEMC* must promptly:
 - (1) publish a notice on its website stating that it has received a claim under paragraph (h). The notice must:
 - (i) provide information on the general nature of the claim;
 - (ii) state whether or not the claim is a direct cost only claim; and
 - (iii) state that the *AEMC* will publish a notice when it commences formal assessment of the claim; and
 - (2) seek such information from the claimant that the *AEMC* reasonably considers is required to enable assessment of the claim including, in the case of a claim other than a direct cost only claim, the methodology used by the claimant to determine its opportunity costs.

Formal commencement of claim

- (k) As soon as practicable after the *AEMC* is reasonably satisfied that it has sufficient information from the claimant to assess its claim, the *AEMC* must publish a notice on its website that it has formally commenced its assessment of the claim specifying whether or not the claim is a direct cost only claim.

Determination of direct cost only claims

- (l) Not later than 45 *business days* after publication of the notice under paragraph (k) in respect of a direct cost only claim, the *AEMC* must *publish* its final decision as to:
 - (1) whether compensation should be paid by *AEMO* in relation to the claim; and
 - (2) if so, the amount of compensation that should be paid.

- (m) Before making its final decision under paragraph (l) the *AEMC* must consult with the claimant.
- (n) In making its final decision under paragraph (l), the *AEMC* must apply the compensation guidelines unless it is satisfied that there are compelling reasons not to do so

Determination of claims other than direct cost only claims

- (o) In relation to a claim other than a direct cost only claim, the *AEMC* must, as soon as practicable but not later than 35 *business days* after publication of the notice under paragraph (k) *publish*:
 - (1) the claimant's proposed methodology for determining the claimant's opportunity costs;
 - (2) the methodology the *AEMC* proposes to use in determining the claimant's opportunity costs (**draft opportunity cost methodology**); and
 - (3) an invitation for written submissions to be made to the *AEMC* on the draft opportunity cost methodology by a date not less than 20 *business days* after the invitation is made (**submission closing date**).
- (p) Any person may make a written submission to the *AEMC* on the draft opportunity cost methodology by the submission closing date.
- (q) Not later than 35 *business days* after the submission closing date the *AEMC* must *publish* its final decision on:
 - (1) the methodology it will use in determining the claimant's opportunity costs; and
 - (2) whether compensation should be paid by *AEMO* in relation to the claim; and
 - (3) if so, the amount of compensation that should be paid.
- (r) Before making its decision on the matters referred to in paragraph (q), the *AEMC* must consult with the claimant.
- (s) In making its final decision as to the matters referred to in paragraph (q), the *AEMC* must:
 - (1) take into account the submissions made in response to the invitation referred to in subparagraph (o)(3); and
 - (2) apply the compensation guidelines unless it is satisfied that there are compelling reasons not to do so.

Extensions of time

- (t) Despite anything to the contrary in this clause 3.14.6, the *AEMC* may extend a period of time specified in this clause if it considers the extension reasonably necessary to enable it to properly assess the claim because of the complexity or difficulty of assessing the claim or because of a material change in circumstances.
- (u) The *AEMC* must publish any extension of time made under paragraph (t).

Costs of claim

- (v) The *AEMC* may recover from a claimant for compensation under this clause any costs that are incurred by the *AEMC* in carrying out their functions under this clause in respect of that claim. For this purpose 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.

[2] Clause 3.15.10 Administered price, market price cap or market floor price compensation payments

Omit clause 3.15.10 including the heading and substitute:

3.15.10 Administered price cap or administered floor price compensation payments

- (a1) In this clause 3.15.10:

cost recovery region means the *region* in which:

- (1) the *dispatch price* was set by the *administered price cap* or *administered floor price*; or
- (2) the *ancillary service price* was set by the *administered price cap*.

in the eligibility period.

eligibility period has the same meaning as in clause 3.14.6(a).

- (a) If the *AEMC* awards compensation to a *Scheduled Generator*, *Non-Scheduled Generator*, *Market Participant*, *Scheduled Network Service Provider* or *Ancillary Service Provider* under clause 3.14.6, then *AEMO* must determine an amount which shall be payable by each *Market Customer* who purchased electricity from the *spot market* in the cost recovery region.

- (b) *AEMO* shall determine the amounts payable for each eligibility period by each of the *Market Customers* referred to in clause 3.15.10(a) as follows:

$$\frac{APC \times E_i}{\sum E_i}$$

where

APC is the total amount of any compensation payments awarded by the *AEMC* to *Scheduled Generators*, *Non-Scheduled Generators*, *Market Participants*, *Scheduled Network Service Providers* or *Ancillary Service Providers* in respect of that eligibility period in accordance with clause 3.14.6.

E_i is the sum of all of the *Market Customer's adjusted gross energy* amounts, determined in accordance with clauses 3.15.4 and 3.15.5, in respect of each *trading interval* in the eligibility period and each *connection point* for which the *Market Customer* is *financially responsible* in the cost recovery region *i*.

$\sum E_i$ is the sum of all amounts determined as “ E_i ” in accordance with this clause 3.15.10 for all *Market Customers* in the cost recovery region.

- (c) Within 25 *business days* of being notified by the *AEMC* that compensation is to be paid to a *Scheduled Generator*, *Non-Scheduled Generator*, *Market Participant*, *Scheduled Network Service Providers* or *Ancillary Service Provider* in accordance with clause 3.14.6, *AEMO* shall include in statements provided under clauses 3.15.14 and 3.15.15 separate details of any amounts payable by or to *Market Participants* as determined in accordance with this clause 3.15.10.

Schedule 2 Savings and Transitional Amendments to the National Electricity Rules

(Clause 4)

[1] Chapter 11 Savings and Transitional Rules

In Chapter 11, omit Part S in its entirety and substitute “[Deleted]”.

[2] Chapter 11 Savings and Transitional Rules

Omit Part ZZL and substitute :

Part ZZL Compensation arrangements following application of an Administered Price Cap or Administered Floor Price

11.84 Rules consequential on the making of the National Electricity Amendment (Compensation Arrangements following application of an Administered Price Cap and Administered Floor Price) Rule 2016

11.84.1 Definitions

In this rule 11.84:

Amending Rule means the National Electricity Amendment (Compensation Arrangements following application of an Administered Price Cap and Administered Floor Price) Rule 2016.

commencement date means the date Schedule 1 of the Amending Rule commences operation.

existing compensation guidelines means the compensation guidelines made by the *AEMC* under old clause 3.14.6.

old clause 3.14.6 means clause 3.14.6 of the *Rules* as in force immediately prior to the commencement date.

11.84.2 Compensation Guidelines

By the commencement date, the *AEMC* must, in accordance with the *transmission consultation procedures*, amend the existing compensation guidelines to take into account the Amending Rule and *publish* the compensation guidelines under clause 3.14.6(c) .

[END OF RULE AS MADE]
