



St Vincent de Paul Society
VICTORIA
good works



Mr Richard Khoe
Director
Australian Energy Market Commission

Lodged online

10 December, 2015

Dear Mr Khoe,

St Vincent de Paul Society and SACOSS thank the Commission for the opportunity to comment on the Compensation arrangements following application of an administered price cap and administered floor price Rule Change Proposal: Additional Consultation. Given the rapid transformation occurring in the energy market and the significant implications for consumers, we believe the context heightens the usual priority to get the rules right and fit for purpose. This is essential to support consumer confidence and certainty underpinned by the right market incentives.

Broadly speaking, we support modifications to include eligibility for ancillary services providers to claim compensation following an administered price limit event, supporting AEMO to respond in the FCAS markets as necessary.

We have addressed each of the consultation questions below.

We support the AEMC statement that “the changing conditions in the NEM relate to inertia and frequency control requirements, the proportion of large-scale renewable and embedded generation, the impending withdrawal of thermal synchronous generators and conditions of credible separation risk of a region during planned maintenance or upgrade of an interconnector” (AEMC Additional Consultation Paper: pp.8-9).

We agree that there are circumstances where an ancillary service provider could incur a net loss relating directly to the provision of FCAS during an administered price limit event and the costs could be considerable. We believe in these circumstances participants may be forced to bid in ways to minimise potential cost impacts. As such we are concerned that the protection provided to energy consumers who ultimately fund these services would be weakened if the NER were to continue to allow opportunity costs based on the price differential between the energy and ancillary services market.

Conversely if eligibility for compensation for ancillary services providers is removed from the NER, we are concerned that this could reduce the incentive to provide ancillary services during an administered price limit event. We are particularly concerned about events such as blackouts and agrees with the AEMC that “where a lack of regulation FCAS contributes to significant reliability impacts, such as a blackout, costs for consumers could be very high, and potentially higher than the amount of compensation that could be recovered if eligibility were allowed” (p.13).

As such we support the Commission's preliminary view that it is better to include eligibility for ancillary services providers to claim compensation following an administered price limit event.

We thank you in advance for your consideration of our comments. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 jo@sacoss.org.au or Gavin Dufty on 0439 357 129 gavind@sudp-vic.org.au

Yours sincerely,

A handwritten signature in black ink, appearing to read 'RWomersley', with a large, sweeping flourish at the end.

Ross Womersley
Executive Director

A handwritten signature in black ink, appearing to read 'G Dufty', with a horizontal line underneath.

Gavin Dufty
Manager Policy and Research