

## **Status Information**

This indicative form of clauses 3.14.6 and 3.15.10 of the National Electricity Rules are based on the National Electricity Amendment (Compensation Arrangements following application of an Administered Price Cap and Administered Floor Price) Rule 2015 and are proposed to replace the existing clauses 3.15.6 and 3.15.10 of the National Electricity Rules.

This indicative consolidation is based on version 71 of the National Electricity Rules.

This version of the National Electricity Rules is provided for information purposes only. The Australian Energy Market Commission does not guarantee the accuracy, reliability or completeness of this consolidated version.

## Indicative form of clause 3.14.6 based on rule change request

[1] Omit clause 3.14.6 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 advice** means advice provided by the compensation expert(s) to the *AEMC* on:

- (i) whether compensation should be paid by *AEMO* in relation to the claim; and
- (ii) if so, the amount of compensation that should be paid.

**compensation expert** means one or more persons appointed under paragraph (j).

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

**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 (g) that does not include a claim for opportunity costs.

**eligibility period** means the period starting at the beginning of the first *trading interval* in a *trading day* in which the price limit event occurs and ending at the end of final *dispatch interval* of the last *trading interval* of that *trading day*.

**opportunity costs** means the value of any opportunities foregone by the claimant due to the price limit event.

**price limit event** means:

- (1) for *Scheduled Generators* and *Non-Scheduled Generators*:
  - (i) the *spot price* for a *dispatch interval* is set by the *administered price cap* during an *administered price period* or *market suspension*; or
  - (ii) the *spot 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*, the *spot price* for a *dispatch interval* is set by the *administered floor price* during an *administered price period* or *market suspension*; and
- (3) for *Scheduled Network Service Providers*, the *spot price* for a *dispatch interval* for a *region* into which the *Scheduled Network Service Provider* is importing power is the *administered price cap* during an *administered price period* or *market suspension*.

**relevant region** means a *region* in which the *spot price* 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:

- (1) 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; and
  - (2) in the case of a price limit event that occurs during *market suspension*, any compensation to which the claimant is entitled under clause 3.15.7 is to be deducted from the total costs determined under this clause 3.14.6.
- (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; and
  - (3) a *Scheduled Network Service Provider* that transported power towards the relevant region,

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 guidelines**

- (c) The *AEMC* must, in accordance with the *transmission consultation procedures*, develop and *publish* guidelines (**compensation guidelines**) that:
- (1) identify the objective of the payment of compensation under this clause as being to maintain the incentive for *Market Participants* to supply *energy* and other services during an *administered price period*;
  - (2) require the amount of compensation payable in respect of a claim under this clause to be based on direct costs and opportunity costs;
  - (3) 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
  - (4) set out the information *AEMO* and a claimant must provide to enable the compensation expert to make a recommendation as to compensation under this clause and to enable the *AEMC* to make a determination as to compensation under this clause.
- (d) The *AEMC* must request the *Adviser* to establish a three member panel from the group of persons referred to in clause 8.2.2(e) and such other persons as

the *Adviser* may choose to appoint under clause 8.2.6A(i) to assist the *AEMC* to develop the compensation guidelines.

- (e) 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](http://www.aemc.gov.au).

- (f) 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**

- (g) 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 intention to make a claim in the form required by the compensation guidelines.
- (h) A claim under paragraph (g) must be made within 5 *business days* of notification by *AEMO* that an *administered price period* or period of *market suspension* has ended.

### **Initial steps on receipt of claim**

- (i) Following its receipt of a notice under paragraph (g), the *AEMC* must promptly:
  - (1) publish a notice on its website stating that it has received a claim under paragraph (g). 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;
  - (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; and
  - (3) request the *Adviser* to appoint one or more compensation experts.

### **Appointment of compensation expert**

- (j) Promptly after receiving a request under subparagraph (i)(3), the *Adviser* must appoint the number of compensation experts specified by the *AEMC*. The *Adviser* may appoint persons from the group of persons referred to in clause 8.2.2(e) or such other persons as the *Adviser* considers appropriate having regard to their skills and experience and who are free from any conflicts of interest

### **Formal commencement of claim**

- (k) As soon as practicable after the compensation expert is appointed and the *AEMC* is reasonably satisfied that it has sufficient information from the claimant to assess its claim, the *AEMC* must:
  - (1) 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; and
  - (2) provide to the compensation expert all relevant information it has collected in relation to the claim.

#### **Determination of direct cost only claims**

- (l) In relation to a direct cost only claim, the compensation expert(s) must, as soon as practicable but not later than 35 *business days* after publication of the notice under paragraph (k) give to the *AEMC* its compensation advice.
- (m) Before providing its compensation advice under paragraph (l), the compensation expert must provide the claimant with a reasonable opportunity to make submissions on its compensation advice.
- (n) In preparing its compensation advice under paragraph (l), the compensation experts must:
  - (1) take into account any submission made by the claimant; and
  - (2) apply the compensation guidelines.
- (o) Within 25 business days of receiving compensation advice under paragraph (l), the *AEMC* must *publish*:
  - (1) that advice; and
  - (2) its final decision as to:
    - (i) whether compensation should be paid by *AEMO* in relation to the claim; and
    - (ii) if so, the amount of compensation that should be paid.
- (p) In making its final decision under paragraph (o), the *AEMC* must:
  - (1) take into account the compensation advice provided under paragraph (l); and
  - (2) 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**

- (q) In relation to a claim other than a direct cost only claim, the compensation expert(s) must, as soon as practicable but not later than 30 *business days* after publication of the notice under paragraph (k) give to the *AEMC* the methodology it recommends that the *AEMC* use in determining the claimant's opportunity costs (**draft opportunity cost methodology**):
- (r) Within 10 business days of receiving the draft opportunity cost methodology, the *AEMC* must *publish*:
  - (1) the claimant's proposed methodology for determining the claimant's opportunity costs;

- (2) the 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**).
- (s) Any person may make a written submission to the *AEMC* on the draft opportunity cost methodology by the submission closing date.
  - (t) Within 25 business days of the submission closing date the compensation expert(s) must provide the *AEMC* with:
    - (1) the methodology it recommends that the *AEMC* use in determining the claimant's opportunity costs (**recommended opportunity cost methodology**); and
    - (2) its compensation advice, based on the recommended opportunity cost methodology.
  - (u) Before providing its compensation advice under paragraph (t), the compensation expert must provide the claimant with a reasonable opportunity to make submissions on its compensation advice.
  - (v) In preparing its recommendation under subparagraph (t), the compensation experts must:
    - (1) take into account the submissions made in response to the invitation referred to in subparagraph (r)(3);
    - (2) take into account any submission made by the claimant on the compensation advice; and
    - (3) apply the compensation guidelines.
  - (w) Not later than 20 *business days* after receiving the recommendations referred to in paragraph (t), the *AEMC* must *publish*:
    - (1) those recommendations; and
    - (2) its final decision as to the matters referred to in paragraph (t).
  - (x) In making its final decision as to the matters referred to in paragraph (t), the *AEMC* must:
    - (1) take into account the final recommendations of the compensation expert; and
    - (2) take into account the submissions made in response to the invitation referred to in subparagraph (r)(3); and
    - (3) apply the compensation guidelines unless it is satisfied that there are compelling reasons not to do so.

**Extensions of time**

- (y) 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 or the compensation expert(s) to properly assess the claim because of the complexity or difficulty of assessing the claim or because of a material change in circumstances.

- (z) The *AEMC* must publish any extension of time made under paragraph (y).

**Costs of claim**

- (za) The *AEMC* may recover from a claimant for compensation under this clause any costs that are incurred by the *AEMC* and the compensation expert 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.

## Indicative form of clause 3.15.10 based on rule change request

### 3.15.10 Administered price cap or administered floor price compensation payments

(a1) In this clause 3.15.10:

**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* or *Scheduled Network Service Provider* under clause 3.14.6, then *AEMO* must determine an amount which shall be payable by all *Market Customers* who purchased electricity from the *spot market* in a region in which the *regional reference price* was affected by the imposition of the *administered price cap* or *administered floor price* in the eligibility period.
- (b) *AEMO* shall determine the amounts payable for each eligibility period by each of the affected *Market Customers* under 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* or *Scheduled Network 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 any *region* or *regions* affected by the imposition of the *administered price cap* or *administered floor price*.

$\sum E_i$  is the sum of all amounts determined as " $E_i$ " in accordance with this clause 3.15.10 for all *Market Customers* in all *regions* affected by the imposition of the *administered price cap* or *administered floor price* in the eligibility period.

- (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* or *Scheduled Network Service Providers* 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.