



Your Ref: ERC0284

17 July 2020

Katy Brady
Australian Energy Market Commission
Sydney South NSW 1235
Submitted online to: <https://www.aemc.gov.au>

Dear Katy

Submission: Compensation for market participants affected by intervention events

CS Energy welcomes the opportunity to provide a submission on the Compensation for market participants affected by intervention events Consultation Paper (**Paper**).

About CS Energy

CS Energy is a Queensland energy company that generates and sells electricity in the National Electricity Market (**NEM**). CS Energy owns and operates the Kogan Creek and Callide coal-fired power stations. CS Energy sells electricity into the NEM from these power stations, as well as electricity generated by other power stations that CS Energy holds the trading rights to.

CS Energy also operates a retail business, offering retail contracts to large commercial and industrial users in Queensland, and is part of the South-East Queensland retail market through our joint venture with Alinta Energy.

CS Energy is 100 percent owned by the Queensland government.

General comments

CS Energy is generally supportive of the proposed rule changes detailed in the Paper.

The proposed Rule changes are reflective of several findings and recommendations arising from the Intervention Pricing Working Group (**IPWG**). CS Energy was an active participant of the IPWG.

The proposed Rule changes will address identified anomalies and inconsistencies in the compensation methodology, which have produced inefficient outcomes for Affected Participants (for both compensation paid to, or amounts owing by, Affected Participants).

The changing technology mix in the NEM warrants the review of the current processes under consultation to ensure the removal of barriers to efficient and equitable outcomes.

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CS Energy Limited submission to ERC0284 Compensation for market participants affected by intervention events

Our detailed responses to the questions raised in the Paper are set out in the Attachment.

Please contact us if you would like to discuss this submission further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T. Scott', with a stylized flourish at the end.

Teresa Scott
Market Policy Manager

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ATTACHMENT

QUESTION 1: Assessment Framework

CS Energy considers the AEMC Assessment Framework appropriate for considering the proposed rule changes as it utilises key criteria including transparency and predictability, efficiency, risk allocation and consistency. The assessment framework addresses the identified issues and anomalies with the current processes.

QUESTION 2: Should Affected Participant Compensation include Frequency Control Ancillary Services (FCAS)?

CS Energy supports the inclusion of FCAS in the Affected Participant Compensation. This addresses an identified anomaly and inconsistency between clause 3.12.2 and cost recovery provisions.

QUESTION 3: How should FCAS be included in Affected Participant Compensation

In the interests of streamlining processes where possible and delivering an equitable outcome, CS Energy is supportive of the AEMC proposal in preference to the AEMO proposal. We support the inclusion of FCAS in clause 3.12.2(c)(1) in addition to clause 3.12.2(j).

QUESTION 4: Should Affected Participant Compensation be Net of FCAS Liabilities?

CS Energy supports the proposal for Affected Participant compensation to be net of FCAS liabilities. It is an equitable outcome and is consistent with the approach adopted in relation to the energy cost.

CS Energy preference is for the impact of FCAS liabilities to form part of an automatic calculation for compensation. However, if the AEMC's cost benefit analysis does not warrant AEMO developing an automatic process, CS Energy would then support the option for Participants to submit an adjustment claim. This is a less preferable option, as CS Energy believes it will be challenging for Participants to determine their FCAS liabilities arising from an intervention event.

QUESTION 5: How to determine Compensation for Scheduled Loads

CS Energy supports the proposal that scheduled loads be entitled to compensation when affected by interventions. This is an equitable outcome and timely with the changing technology mix in the NEM that includes batteries and pumped hydro.

CS Energy also supports the AEMC proposal that BidP be defined as the lowest price band the scheduled load is dispatch from and be reflected as an amendment to clause 3.12.2(a)(2).

CS Energy also supports clarifying the meaning of QD in the formula set out in clause 3.12.2(a)(2); and the proposal that compensation for scheduled loads to be 'two way' as is the case for Affected Participants.

QUESTION 6: Should Scheduled Load Compensation include FCAS?

CS Energy notes that scheduled loads are registered for the provision of FCAS. Consequently, CS Energy supports the proposal that compensation for scheduled loads should include compensation for changes to FCAS enablement targets resulting from an intervention event. This would be consistent with the approach for directed participant compensation and the proposed approach to affected participant compensation.

QUESTION 7: Should Compensation for Scheduled Loads be net of Direct Costs incurred or avoided?

CS Energy supports the inclusion of costs avoided or incurred for scheduled loads.

This is consistent with the approach included for Affected Participants in clause 3.12.2(j)(1). CS Energy's preference is that all costs should be calculated by an automatic calculation process to reduce administrative costs. However, if an automatic process is not feasible, then the alternative is for provision to enable an adjustment claim to be lodged under clause 3.12.2(a)(2).

In the case of scheduled loads, FCAS related costs would be the most likely costs incurred or avoided.

QUESTION 8: Should Compensation for Scheduled Loads be One Way or Two Way?

CS Energy supports two way compensation for scheduled loads as appropriate and is consistent with the recommended approach for Affected Participants.