



Compensation following directions for non-market services

Draft determination and draft rule

The Australian Energy Market Commission (AEMC) has published a draft determination and draft rule to streamline compensation arrangements for participants directed to provide services other than energy and market ancillary services (“non-market services”). Submissions are due by 5 November 2020.

The Commission’s draft determination

The Commission’s draft determination reduces administrative burden on AEMO and registered participants by amending the compensation framework for non-market services from two-steps to one-step.

The draft rule also makes other amendments that improve transparency, predictability, consistency and the allocation of risk, including:

- clarifying the test for how AEMO classifies a direction, which determines the relevant compensation framework
- adding an obligation on AEMO to notify the directed participant of its determination of whether a compensable service was provided and allowing the directed participant to make a submission in response
- simplifying the factors that need to be taken into account in determining fair payment compensation in the new one-step process.

The rule change request

On 19 September 2019, AEMO submitted a rule change request for the National Electricity Rules (NER) to be amended in relation to the determination of compensation following directions for services other than energy and market ancillary services.

Currently, when a participant is directed to provide non-market services (something which has occurred infrequently until recently), they may be compensated under the “fair payment price” framework. Following this initial compensation process, if a directed participant is still out of pocket, it may lodge a claim for additional compensation through a separate second process.

AEMO considered that this two-step process is an unnecessary delay in finalising compensation for directed participants and proposed a one-step process, where the amount of compensation could be determined at the same time.

On 11 June 2020, the AEMC initiated the rule change request from AEMO and published a consultation paper. Nine submissions were received in response to the consultation paper and these have informed the development of the draft determination and draft rule.

Background

Intervention mechanisms are tools available to AEMO in circumstances where the market response has been inadequate to maintain a reliable and secure power system, or in response to unexpected events. Broadly speaking, intervention mechanisms include the reliability and emergency reserve trader (RERT), directions and instructions.

This rule change request only relates to directions for services other than energy and market ancillary services. These services are currently referred to as “other services” and are referred to as “non-market services” in the draft rule. Non-market services may include, among other things, a direction for a battery to maintain a specified state of charge in order

to maintain system security.

Next steps

The Commission seeks feedback from stakeholders on the draft rule and determination, including implementation timing and transitional provisions. Submissions on the draft determination and draft rule close on **5 November 2020** via the AEMC website.

For information contact:

Owen Pascoe, **Director** 02 8296 7856

Andrew Pirie, **Senior Adviser** 02 8296 7867

Media: Media and Content Manager, Kellie Bisset 0438 490 041

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