

AEMO Directions to Participants in South Australia

23 May 2022

Final Determination Report

Disclaimer

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Notes to this report

Units and dollars

Unless otherwise specified:

- Dollars refer to Australian dollars.
- The claim amounts do not include interest payable to participants.



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1 Introduction

IES has been appointed by AEMO as independent expert to assess claims for additional compensation submitted by a *Directed Participant* in relation to the directions issued during Billing Weeks 45 to 48.

1.1 Background and direction to participants

During billing weeks 45 to 48 AEMO issued directions to maintain the system in a secure operating state. This report presents the assessment of claims made by three claimants, Claimant1, Claimant2 and Claimant3. The directions associated with the claims that have been assessed are summarised in Table 1, Table 2 and Table 3 with the information appropriately masked to maintain confidentiality.

Table 1 Summary of the directions – assessed claims – Claimant1

Directed unit	Event number	Issued	Effective	Ended	Reason
PS3	48-19	05/11/2021 15:00	05/11/2021 22:00	08/11/2021 16:30	System strength
PS2	48-22	07/11/2021 00:00	07/11/2021 00:00	08/11/2021 17:00	System strength
PS3	49-2	08/11/2021 16:00	09/11/2021 00:30	09/11/2021 15:00	System strength
PS2	49-1	08/11/2021 16:00	09/11/2021 06:30	09/11/2021 14:00	System strength
PS3	50-2	09/11/2021 15:30	10/11/2021 08:30	10/11/2021 17:30	System strength
PS3	50-5	10/11/2021 16:00	11/11/2021 06:30	14/11/2021 00:00	System strength
PS2	50-8	09/11/2021 14:45	09/11/2021 21:00	16/11/2021 05:20	System strength
PS3	50-10	14/11/2021 00:00	14/11/2021 00:00	16/11/2021 16:00	System strength
PS2	50-12	16/11/2021 07:00	16/11/2021 09:00	17/11/2021 16:00	System strength
PS3	50-13	16/11/2021 16:00	17/11/2021 00:30	17/11/2021 11:00	System strength
PS3	50-15	17/11/2021 14:00	17/11/2021 23:00	18/11/2021 18:00	System strength
PS3	50-16	19/11/2021 15:30	20/11/2021 08:30	20/11/2021 17:30	System strength
PS4	50-17	16/11/2021 16:00	17/11/2021 09:30	22/11/2021 14:00	System strength
PS2	50-18	17/11/2021 16:00	17/11/2021 21:30	25/11/2021 13:30	System strength
PS3	50-20	20/11/2021 16:00	21/11/2021 08:30	23/11/2021 17:00	System strength
PS3	50-21	24/11/2021 16:45	24/11/2021 23:00	25/11/2021 19:00	System strength
PS2	50-22	25/11/2021 14:10	25/11/2021 14:30	27/11/2021 16:30	System strength



AEMO DIRECTIONS TO PARTICIPANTS IN SOUTH AUSTRALIA DURING BW 45-48

Directed unit	Event number	Issued	Effective	Ended	Reason
PS4	50-23	24/11/2021 16:45	25/11/2021 07:50	29/11/2021 15:30	System strength
PS2	50-24	27/11/2021 16:30	28/11/2021 00:01	28/11/2021 15:30	System strength
PS2	50-25	28/11/2021 17:00	29/11/2021 08:00	29/11/2021 16:30	System strength

Table 2 Summary of the directions – assessed claims – Claimant2

Directed unit	Event number	Issued	Effective	Ended	Reason
PS1	50-9	13/11/2021 17:00	14/11/2021 01:00	15/11/2021 16:30	System strength

Table 3 Summary of the directions – assessed claims – Claimant3

Directed unit	Event number	Issued	Effective	Ended	Reason
PS1	48-21	07/11/2021 16:30	08/11/2021 08:00	08/11/2021 17:00	System strength

1.2 Description of services provided

The directions issued by AEMO were for the provision of system strength. A directed participant providing system strength (refer to 3.15.7(a2)(4)(iii)) is deemed, for the purposes of 3.15.7(a1), to provide energy. A directed participant that provides energy is entitled to compensation including for “...additional net direct costs incurred by the directed participant...as a result of the provision of the service”. Clause 3.15.7B(a3) lists, without limitation, components included in the calculation of additional net direct costs. 3.15.7B(b) states that submissions made must “(1) itemise each component of a claim; (2) contain sufficient data and information to substantiate each component of a claim...”

The claims for additional compensation include amounts due to four components:

- Additional net direct fuel costs (Gas) – per 3.15.7B(a3)(1), plus
- Additional net direct maintenance costs (VOM) – per 3.15.7B(a3)(2), plus
- Additional net direct other costs (FCAS and start-up costs in some cases) – per 3.15.7B(a3)(6), less
- The amount calculated as DCP.

AEMO has calculated the compensation amount the directed participant is entitled to receive (DCP) in accordance with National Electricity Rules (NER) Clause 3.15.7(c). The Claimants have submitted written claims for additional compensation under NER clause 3.15.7B. The assessment of these claims is discussed in this report.



Where it is considered important for clarity, terms defined in the NER have been italicised in the report. A reference to a clause in this report is a reference to the clause in the NER unless stated otherwise.

The remainder of this report is organised as follows:

Section 2 – Claims for additional compensation – Claimant1,

Section 3 – Claims for additional compensation – Claimant2,

Section 4 – Claims for additional compensation – Claimant3, and

Section 5 – Submissions on matters in this report.



2 Claims for additional compensation – Claimant1

2.1 Summary of claims by Claimant1

The assessed claims as submitted by Claimant1 are summarised in Table 4.

Table 4 Summary of additional compensation claimed – assessed claims - Claimant1

Directed unit	Event No.	Effective	Total Fuel Cost	VOM Cost + Start up Cost	FCAS Recovery	Total Cost of Direction	DCP	Additional Compensation Claimed
PS3	48-19	05/11/2021 22:00	\$400,980.31	\$48,402.28	\$704.15	\$450,086.75	\$226,558.19	\$223,528.55
PS2	48-22	07/11/2021 00:00	\$255,858.62	\$29,842.01	\$474.98	\$286,175.61	\$141,755.21	\$144,420.40
PS3	49-2	09/11/2021 00:30	\$87,954.97	\$10,553.88	\$317.52	\$98,826.37	\$49,276.73	\$49,549.64
PS2	49-1	09/11/2021 06:30	\$46,054.74	\$5,458.90	\$194.42	\$51,708.07	\$25,440.24	\$26,267.82
PS3	50-2	10/11/2021 08:30	\$53,846.98	\$6,550.68	\$195.69	\$60,593.35	\$30,019.06	\$30,574.29
PS3	50-5	11/11/2021 06:30	\$393,045.92	\$47,674.43	\$815.29	\$441,535.64	\$217,357.45	\$224,178.19
PS2	50-8	09/11/2021 21:00	\$949,806.14	\$110,876.40	\$1,914.41	\$1,062,596.95	\$521,593.00	\$541,003.95
PS3	50-10	14/11/2021 00:00	\$385,874.85	\$46,582.65	\$356.89	\$432,814.39	\$211,777.72	\$221,036.67
PS2	50-12	16/11/2021 09:00	\$206,094.04	\$22,563.47	\$379.02	\$229,036.53	\$114,236.61	\$114,799.91
PS3	50-13	17/11/2021 00:30	\$65,891.78	\$7,642.47	\$65.36	\$73,599.60	\$35,403.08	\$38,196.52
PS3	50-15	17/11/2021 23:00	\$118,844.01	\$13,829.22	\$60.94	\$132,734.17	\$64,080.55	\$68,653.62
PS3	50-16	20/11/2021 08:30	\$51,914.96	\$6,550.68	\$12.79	\$58,478.44	\$29,127.99	\$29,350.45
PS4	50-17	17/11/2021 09:30	\$779,866.39	\$90,617.80	\$1,289.25	\$871,773.44	\$415,836.00	\$455,937.44
PS2	50-18	17/11/2021 21:30	\$1,150,130.40	\$133,925.11	\$1,757.84	\$1,285,813.34	\$632,197.00	\$653,616.34
PS3	50-20	21/11/2021 08:30	\$338,972.21	\$41,123.74	\$686.30	\$380,782.26	\$194,550.75	\$186,231.50
PS3	50-21	24/11/2021 23:00	\$120,534.25	\$14,557.08	\$201.45	\$135,292.78	\$70,692.61	\$64,600.16
PS2	50-22	25/11/2021 14:30	\$312,006.56	\$36,392.69	\$403.55	\$348,802.80	\$179,785.44	\$169,017.36
PS4	50-23	25/11/2021 07:50	\$641,727.68	\$75,454.18	-\$100.00	\$717,081.86	\$363,102.00	\$53,979.86
PS2	50-24	28/11/2021 00:01	\$96,944.25	\$11,281.73	-\$100.00	\$108,125.98	\$56,121.21	\$52,004.77
PS2	50-25	29/11/2021 08:00	\$52,606.89	\$6,186.76	-\$100.00	\$58,693.65	\$30,170.04	\$28,523.61
Total			\$6,508,955.95	\$766,066.16	\$9,529.86	\$7,284,551.97	\$3,609,080.91	\$3,675,471.06

The components of the claim comprised Fuel cost (Gas), variable operations and maintenance cost (VOM), start-up costs for some events and recovery of contingency FCAS charges incurred while the units operated in compliance with the directions. The total cost of the direction is the sum of these components. The additional compensation claimed is equal to the latter quantity less DCP. The amounts in the claims submitted by Claimant1 were all rounded to the nearest



dollar. The amounts shown in the above table are given in dollars and cents based on the information provided in the supporting information and calculations shown. The FCAS amount claimed for three events 50-23, 50-24 and 50-25 were entered in the Excel model as a negative value of -\$100 as shown in the above table.

2.2 Calculating the claimed amounts

This Section assesses the claimed amount by examining the method used and correctness of the calculation of each of the components of net additional costs included in the claim.

2.2.1 Additional net direct fuel costs (Gas) – per 3.15.7B(a3)(1)

Claimant1 calculated gas costs as follows:

- 1) Calculated the gas volume consumed by the units as the product of the heat rate and energy dispatched while under direction. The heat rate relationship was based on a technical report and the energy quantities from the dispatch data.
- 2) Calculated a volume weighted average price of gas based on the volumes and prices of the gas supplied to the units while generating under direction. Purchases were made from two contracts and invoices provided in support.
- 3) Gas transportation costs were not claimed as no additional costs were incurred in connection with the directions.

This method in the view of IES provides a reasonable reflection of the gas costs incurred in relation to carrying out the *direction*. However, the following issues are worthy of note.

2.2.1.1 Calculation of the gas volume

There was a spread sheet error in the implementation of the relationship used to calculate the gas volume. The mathematical relationship was provided on the model provided by Claimant1 in the tab 'HR' and implemented correctly in that tab. However, there was an error in the Excel implementation of the relationship when calculating the volumes associated with the electricity dispatched during the direction (incorrectly placed brackets). This was corrected during the assessment and the corrected volumes used for the determination. The correction was relatively small.

2.2.2 Additional net direct maintenance costs (VOM) – per 3.15.7B(a3)(2)

The claim included a component of additional maintenance costs of the directed units. Claimant1 used a VOM rate based on data from a very old study and indexed that cost by 2.5% for each year from the date of the study to the present. This is not a reliable estimate of VOM but Claimant1 could not furnish other supporting data. In view of this we have used the VOM for these units provided in the “2021 Inputs and assumptions workbook” available on AEMO’s website.¹ The workbook expresses the VOM costs in 2021 terms. It is noted that this approach to estimating VOM is essentially the same approach adopted in a recent final determination.²

¹ <https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2022-integrated-system-plan-isp/current-inputs-assumptions-and-scenarios>.

² Final Assessment of Additional Compensation for Directions in SA Between February 25th and March 26th, 2021 by the consultancy SLC.



There was an error made by Claimant1 in applying the VOM rate. The spreadsheet model calculated a rate for a 30-minute period but applied it to each 5-minute period. This effectively overstated the cost by a multiple of six (6). This is likely caused by the model not being updated for the change from 30-minute settlement to 5-minute settlement. This settlement period error was corrected.

2.2.3 Additional net direct other costs (FCAS) – per 3.15.7B(a3)(6)

The Claimant included in its claim for additional compensation an amount to recover the FCAS charges it incurred due to carrying out the *direction*. The Claimant calculated the dispatched energy from the directed units as a percentage of the total energy and applied that factor to the contingency raise costs incurred during the direction period. The energy quantities were supported by dispatch data. Raise contingency costs are charged to generators on the basis of the energy they produce at the time.

In all other events claimed the FCAS cost incurred was calculated correctly in the Excel model and the correct cell referenced in the summary sheet. The FCAS amount claimed for three events 50-23, 50-24 and 50-25 were also calculated correctly but, instead of referencing that cell in the summary, the FCAS amount was entered in the Excel model as a negative value (-\$100) as shown in the above table. This is treated as an Excel error and corrected in the determination.

In IES' view this is a reasonable method of attributing these costs to the direction. The Claimant's amounts for this component included in the claim are accepted after making the correction noted above.

2.2.4 Additional net direct other costs (Transportation) – per 3.15.7B(a3)(6)

Gas transportation costs were not claimed as no additional costs were incurred in connection with the directions.

2.2.5 Additional net direct other costs (Start-up costs) – per 3.15.7B(a3)(6)

Start-up costs, incurred in some events, were based on an engineering report and information provided by the claimant. To assess reasonableness the start-up costs included in the claim, the claimed costs were benchmarked against independent information in the public domain for the units concerned. IES has allowed the start-up costs included in the claims.

2.2.6 The amount calculated as DCP

The compensation to which a directed participant is entitled (DCP) in the case of a direction for the provision of energy is specified in 3.15.7(c). The price used in determining the DCP is the 90th percentile of prices for energy a year immediately preceding the trading day of the *direction*. This amount was calculated by AEMO.

2.3 Summary of the determination – Claimant1

As a result of reviewing the claim submitted by Claimant1 two corrections were made: one to gas volume and the other to the FCAS claimed. Both of these corrections were corrections to spreadsheet errors. The independent expert also made what it considered to be a more reasonable estimate of the VOM costs related to the direction. Table 5 summarises the determination based on the above assessment. Following assessment of the claim submitted



AEMO DIRECTIONS TO PARTICIPANTS IN SOUTH AUSTRALIA DURING BW 45-48

by Claimant1 the independent expert determination is that Claimant1 is entitled to an additional compensation amount equal to \$3,064,896.37.

Table 5 Summary of determination – Claimant1

Directed unit	Event No.	Effective	Total Fuel Cost	VOM Cost + Start up Cost	FCAS Recovery	Total Cost of Direction	DCP	Additional Compensation determination
PS3	48-19	05/11/2021 22:00	\$400,431.81	\$6,021.35	\$704.15	\$407,157.31	\$226,558.19	\$180,599.12
PS2	48-22	07/11/2021 00:00	\$255,286.14	\$3,767.50	\$474.98	\$259,528.63	\$141,755.21	\$117,773.41
PS3	49-2	09/11/2021 00:30	\$87,831.97	\$1,319.41	\$317.52	\$89,468.90	\$49,276.73	\$40,192.16
PS2	49-1	09/11/2021 06:30	\$45,951.30	\$681.18	\$194.42	\$46,826.90	\$25,440.24	\$21,386.65
PS3	50-2	10/11/2021 08:30	\$53,773.00	\$803.78	\$195.69	\$54,772.46	\$30,019.06	\$24,753.40
PS3	50-5	11/11/2021 06:30	\$392,513.38	\$5,821.13	\$815.29	\$399,149.81	\$217,357.45	\$181,792.36
PS2	50-8	09/11/2021 21:00	\$947,690.97	\$13,965.92	\$1,914.41	\$963,571.30	\$521,593.00	\$441,978.30
PS3	50-10	14/11/2021 00:00	\$385,346.96	\$5,707.97	\$356.89	\$391,411.82	\$211,777.72	\$179,634.10
PS2	50-12	16/11/2021 09:00	\$204,738.85	\$1,469.19	\$379.02	\$206,587.06	\$114,236.61	\$92,350.44
PS3	50-13	17/11/2021 00:30	\$65,800.71	\$954.84	\$65.36	\$66,820.91	\$35,403.08	\$31,417.83
PS3	50-15	17/11/2021 23:00	\$118,676.90	\$19,666.18	\$60.94	\$138,404.02	\$64,080.55	\$74,323.47
PS3	50-16	20/11/2021 08:30	\$51,845.88	\$18,760.06	\$12.79	\$70,618.73	\$29,127.99	\$41,490.73
PS4	50-17	17/11/2021 09:30	\$776,202.91	\$36,806.92	\$1,289.25	\$814,299.09	\$415,836.00	\$398,463.09
PS2	50-18	17/11/2021 21:30	\$1,147,574.91	\$16,813.19	\$1,757.84	\$1,166,145.94	\$632,197.00	\$533,948.94
PS3	50-20	21/11/2021 08:30	\$338,513.98	\$20,650.91	\$686.30	\$359,851.20	\$194,550.75	\$165,300.44
PS3	50-21	24/11/2021 23:00	\$120,369.51	\$1,803.71	\$201.45	\$122,374.67	\$70,692.61	\$51,682.06
PS2	50-22	25/11/2021 14:30	\$311,306.12	\$4,545.91	\$403.55	\$316,255.58	\$179,785.44	\$136,470.14
PS4	50-23	25/11/2021 07:50	\$638,730.00	\$9,264.50	\$1,039.22	\$649,033.72	\$363,102.00	\$285,931.72
PS2	50-24	28/11/2021 00:01	\$96,723.23	\$1,431.63	\$197.32	\$98,352.17	\$56,121.21	\$42,230.96
PS2	50-25	29/11/2021 08:00	\$52,491.30	\$772.69	\$83.08	\$53,347.08	\$30,170.04	\$23,177.04
Total			\$6,491,799.83	\$171,027.97	\$11,149.48	\$6,673,977.29	\$3,609,080.91	\$3,064,896.37



3 Claims for additional compensation – Claimant2

3.1 Summary of claims by Claimant2

The claims assessed for Claimant2 are summarised in Table 6. The components of the claim comprised Fuel cost (Gas), operations and maintenance cost expressed in equivalent operating hours terms (EOH) and recovery of contingency FCAS charges incurred while the units operated in compliance with the directions. The total cost of the direction is the sum of these components. The additional compensation claimed is equal to the latter sum less DCP. Claimant2 claim amounts were rounded off to the nearest 10 cents and shown in the last column of Table 6.

The claimant provided information which showed the method and calculations of EOH and other claim costs. The last column of the table shows the additional compensation amount in the claim as submitted.

Table 6 Summary of additional compensation claimed - assessed claims - Claimant2

Directed Unit	Event	Effective	Total Fuel Cost	EOH Cost	FCAS & Transportation	Total Cost of Direction	DCP	Additional Compensation Claimed
PS1	50-9	14/11/2021 01:00	\$874,203.09	\$35,787.00	\$3,578.13	\$913,568.22	\$637,569.48	\$275,998.70
		Total	\$874,203.09	\$35,787.00	\$3,578.13	\$913,568.22	\$637,569.48	\$275,998.70

3.2 Calculating the claimed amounts

This Section assesses the claimed amount by examining the method used and correctness of the calculation of each of the components of net additional costs included in the claim.

3.2.1 Additional net direct fuel costs (Gas) – per 3.15.7B(a3)(1)

Claimant2 calculated gas costs as follows:

- 1) The gas used for the directions represented the gas used on the day that was above what was needed for the claimant’s commercial operations. The gas for the direction was sourced from volume flexible agreements and from linepack. Gas volume was attributed to each direction event in proportion to the dispatched energy related to that event on each day.
- 2) The gas agreements were sorted from the lowest to the highest price and used in that order to satisfy the commercial operations first followed by what was needed for the directions. Gas for a direction event was allocated to the agreement (or linepack) with remaining availability and moved to subsequent agreements until the gas used for the direction was allocated to corresponding agreements.

The rationale is that gas volume needed for the direction was not anticipated and was managed from purchases that came from increasing price arrangements. In the view of IES the general approach for allocating gas to typical commercial operation and to the directions as a group is reasonable and consistent with how other directed participants have managed directions.



3.2.1.1 Estimating the cost of gas from linepack

Claimant2 injects gas into linepack storage when it does not use all of its purchases and withdraws from linepack storage when needed. The claimant estimates linepack price as the volume weighted average of gas purchased over the month. There are different approaches to calculating linepack costs. The method used by the claimant is acceptable on the basis that it is a reasonable method and one that is implemented in its accounting system.

3.2.2 Additional net direct maintenance costs (EOH) – per 3.15.7B(a3)(2)

The claim included a component of additional maintenance costs of the directed unit. Claimant2 provided information which showed the method and calculations of EOH. IES considers these costs to be reasonable.

3.2.3 Additional net direct other costs (FCAS) – per 3.15.7B(a3)(6)

The Claimant included in its claim for additional compensation an amount to recover the FCAS charges it incurred due to carrying out the *direction*. For directions that occurred on the same day, the Claimant calculated the dispatched energy corresponding to each direction event as a percentage of the total energy and applied that factor to the contingency raise costs incurred during the direction period. The energy quantities were supported by dispatch data. Raise contingency costs are charged to generators on the basis of the energy they produce at the time. In IES’ view this is a reasonable method of attributing these costs to the direction. The Claimant’s amounts for this component included in the claim are accepted.

3.2.4 Additional net direct other costs (Transportation) – per 3.15.7B(a3)(6)

Transportation costs were allocated to the directions but only on the days when the claimant incurred overrun costs. It is reasonable to assume that these costs were incurred in connection with the directions.

3.2.5 The amount calculated as DCP

The compensation to which a directed participant is entitled (DCP) in the case of a direction for the provision of energy is specified in 3.15.7(c). The price used in determining the DCP is the 90th percentile of prices for energy a year immediately preceding the trading day of the *direction*. This amount was calculated by AEMO.

3.3 Summary of the determination – Claimant2

The claims submitted by Claimant2 were assessed and allowed. Claimant2 is entitled to the additional compensation of \$275,998.70 as claimed.

Table 7 Summary of determination - Claimant2

Directed Unit	Event	Effective	Total Fuel Cost	EOH Cost	FCAS & Transportation	Total Cost of Direction	DCP	Additional Compensation determination
PS1	50-9	14/11/2021 01:00	\$874,203.09	\$35,787.00	\$3,578.13	\$913,568.22	\$637,569.48	\$275,998.70
		Total	\$874,203.09	\$35,787.00	\$3,578.13	\$913,568.22	\$637,569.48	\$275,998.70



4 Claims for additional compensation – Claimant3

Claimant 3 submitted a claim for additional compensation which included fuel cost, VOM and additional transportation. DCP was subtracted from the sum of these components. The claimant showed the claimed amounts rounded to the nearest dollar, but the total additional compensation amount claimed was based on the amounts before rounding (and rounded at the end). The amounts claimed are summarised in Table 8.

Table 8 Summary of additional compensation claimed – assessed claims – Claimant3

Directed Unit	Event	Effective	Total Fuel Cost	VOM Cost + Start up Cost	FCAS & Transportation	Total Cost of Direction	DCP	Additional Compensation Claimed
PS1	48-21	08/11/2021 08:00	\$105,308	\$26,790	\$1,827	\$133,924	\$107,241	\$26,683

The amount claimed for each of these components was supported by invoices.

IES has allowed the claim and determined that Claimant3 is entitled to additional compensation of \$26,683 as claimed.

5 Submissions on matters in the draft report

No submissions were received on the matters contained in the draft determination report.

