



Guide to Intervention Pricing

June 2019

NER 3.9.3

Important notice

PURPOSE

The Australian Energy Market Operator (AEMO) publishes the Guide to Intervention Pricing to provide general information about the operation of the intervention price provisions in the National Electricity Market (NEM) as at the date of publication.¹

DISCLAIMER

This document or the information in it may be subsequently updated or amended. This document does not constitute legal or business advice, and should not be relied on as a substitute for obtaining detailed advice about the National Electricity Law, the National Electricity Rules, or any other applicable laws, procedures or policies. AEMO has made every reasonable effort to ensure the quality of the information in this document but cannot guarantee its accuracy or completeness.

Accordingly, to the maximum extent permitted by law, AEMO and its officers, employees and consultants involved in the preparation of this document:

- make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in this document; and
- are not liable (whether by reason of negligence or otherwise) for any statements or representations in this document, or any omissions from it, or for any use or reliance on the information in it.

VERSION CONTROL

Version	Release date	Changes
2.0	31/05/2019	<ul style="list-style-type: none">• Updated to new AEMO template• Modified for 5-minute settlement

¹ More detailed information on the calculation of intervention prices is available in the Intervention Pricing Methodology at: https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security_and_Reliability/Dispatch/Policy_and_Process/2019/Intervention-Pricing-Methodology.pdf

Contents

1.	Introduction	4
2.	Declaration of intervention pricing	4
3.	Operation during an intervention price period in a region	4
4.	Effect on connected regions	5
5.	End of an intervention price period	5
6.	Compensation	5
6.1	Compensation Recovery	6

1. Introduction

The intervention price provisions of the National Electricity Rules (NER) form an important component of pricing in the National Electricity Market (NEM). These are implemented during periods when AEMO intervenes in the NEM by issuing a direction in accordance with NER clause 4.8.9 or exercising the Reliability and Emergency Reserve Trader (RERT) provisions in NER rule 3.20.

In accordance with NER clause 3.9.3(b), AEMO must set the energy and ancillary service prices during intervention at the prices that would have applied had the Intervention not occurred.

2. Declaration of intervention pricing

NER clause 3.9.3(a) requires AEMO to declare an intervention price dispatch interval (IPDI)² when it intervenes in the market by directing a participant or exercising the RERT.³ AEMO makes the declaration through a Market Notice.

In accordance with NER clause 3.9.3(c), AEMO is allowed a small amount of time after intervening in the market to begin intervention pricing, but must use reasonable endeavours to start intervention pricing as soon as practicable.

In accordance with NER clause 3.9.3(d), intervention pricing is not invoked for some interventions. This applies for those interventions where an equivalent intervention at the regional reference node would not have removed the need for the original intervention. For example, if a generator is directed to operate its generating plant to address a supply deficiency that is confined to a part of the network that does not include the regional reference node, then intervention pricing is not invoked. This might occur if a network constraint was restricting supply to a remote area near the directed generator. In these cases normal price setting as per NER clauses 3.9.2 and 3.9.2A continues.

3. Operation during an intervention price period in a region

When an IPDI is declared and intervention pricing is invoked, AEMO publishes a market notice to advise of the start of an intervention price period. Calculation of dispatch targets and intervention pricing is then triggered in NEMDE⁴ by initiating two parallel runs:

- The Intervention/Outturn run determines the dispatch targets for all generating units and scheduled loads during the intervention event. This run takes into account the consequences of issuing a direction or exercising the RERT.

² After Five Minute Settlement comes into effect on 1 July 2021, an intervention price dispatch interval (IPDI) will be renamed an intervention pricing interval (IPI)

³ For AEMO's procedure see System Operation Procedure SO_OP3707: Intervention, Direction and Clause 4.8.9 Instructions (https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security_and_Reliability/Power_System_Ops/Procedures/SO_OP_3707---Intervention-Direction-and-Clause-4-8-9-Instructions.pdf)

⁴ National Electricity Market Dispatch Engine, which determines dispatch and pricing outcomes for each 5-minute interval.

- The What-If/Pricing run determines the energy and ancillary service prices on which the market will be settled. This run is used to calculate energy and ancillary service prices that would have applied had the intervention event not occurred.

More information on the calculation of intervention pricing is contained in the Intervention Pricing Methodology Procedure. The procedure is available at: https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security_and_Reliability/Dispatch/Policy_and_Process/2019/Intervention-Pricing-Methodology.pdf

4. Effect on connected regions

During an intervention event the energy and FCAS prices from the intervention pricing run are applied to all regions whether intervention has occurred in that region or not. Prices in interconnected regions may be further modified by market price cap scaling, market floor price scaling, or administered pricing scaling. In these scenarios the appropriate scaling arrangements required under the Rules⁵ are used to override the intervention prices calculated for adjacent regions.

5. End of an intervention price period

An intervention price period ends when the direction or activation of RERT ceases. This is advised by AEMO via a Market Notice.

6. Compensation

Intervention pricing does not trigger compensation directly. Following an Intervention event, AEMO determines the compensation amounts payable to any participant that was the subject of a direction (Directed Participant) or to any holder of a reserve contract that was exercised under the RERT provisions.

AEMO also calculates any compensation to (or clawback from) scheduled generators or scheduled network providers (Affected Participants) whose dispatch was impacted by the intervention, along with any compensation for scheduled loads (Market Customers) and any compensation for Settlement Residue Auction (SRA) unit holders (eligible persons) due to the impact to flows across interconnectors. This compensation (or clawback) currently has a lower limit of \$5,000 per participant per intervention price trading interval.⁶

Affected Participants and Directed Participants may make submissions to AEMO claiming additional amounts of compensation taking into account direct costs such as fuel, incremental maintenance and staffing costs.⁷

⁵ See NER 3.9.5(c) for market price cap scaling, NER 3.9.6A(c) for market floor price scaling, and NER 3.14.2(e) for administered price scaling

⁶ From 1 July 2021 the Five Minute Settlement rule change will rephrase this threshold as \$5,000 per intervention pricing 30-minute period.

⁷ See NER 3.12.2(j) and NER 3.15.7B.

6.1 Compensation Recovery

Any compensation that AEMO pays due to intervention in the market is recovered from Market Customers in the regions benefitting from the intervention.⁸ Compensation payments and recovery amounts are shown on preliminary and final settlement statements for the billing week in which the compensation determination is published to the market.

⁸ See NER 3.15.8 for funding of compensation for directions.