

# MARKET SUSPENSION COMPENSATION METHODOLOGY CONSULTATION

ISSUES PAPER

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## 1. STAKEHOLDER CONSULTATION PROCESS

As required by National Electricity Rules (NER) clause 11.111.2, AEMO is consulting on an updated *Market Suspension Compensation Methodology* (Methodology) under, in accordance with clause 3.14.5A(h) and the Rules consultation process in rule 8.9.

This Issues Paper commences the first stage of the Rules consultation process. AEMO’s indicative timeline for this consultation is outlined below. Future dates may be adjusted depending on the number and complexity of issues raised in submissions and any meetings with stakeholders.

Deliverable	Indicative date
Issues Paper published	11 February 2019
Submissions due on Issues Paper	20 March 2019
Draft Report published	16 April 2019
Submissions due on Draft Report	6 May 2019
Final Report published	19 June 2019

Prior to the submissions due date, stakeholders can request a meeting with AEMO to discuss the issues and proposed changes raised in this Issues Paper.



## 2. BACKGROUND

### 2.1. NER requirements

NER 3.14.5A(h) requires AEMO to develop, publish and make available on the AEMO website a methodology that specifies:

- the classes of *Scheduled Generator* and *Ancillary Service Provider* to be used for the purpose of calculating benchmark values;
- the approach to be adopted by AEMO in calculating the benchmark values for each class of *Scheduled Generator* and *Ancillary Service Provider* in each *region*, including determining the equivalent *NTNDP inputs* for the purpose of the calculation in 3.14.5A(e); and
- AEMO's administrative fees associated with a claim for compensation under clause 3.14.5B or the manner in which those fees are to be determined.

### 2.2. Context for this consultation

The requirement for AEMO to develop and publish the Methodology was introduced by the *National Electricity Amendment (Participant compensation following market suspension) Rule 2018*. The transitional provisions of that Rule required AEMO to determine and publish an initial version of the Methodology by 19 December 2018, and then consult on an updated version by 19 June 2019. The initial Methodology will remain in place until the conclusion of this consultation.

## 3. MARKET SUSPENSION COMPENSATION

### 3.1. Scheduled generator and Ancillary service provider classes

AEMO calculates benchmark values for the following classes of *Scheduled Generator* and *Ancillary Service Provider* based on the *generating system* fuel source or technology type:

- Black coal
- Brown coal
- Open cycle gas turbine
- Combined cycle gas turbine
- Hydro
- Wind
- Solar photovoltaic
- Large scale batteries
- Biomass
- Solar thermal
- Liquid fuel

The individual components of combined *generating systems* with multiple energy sources will be accounted for in the benchmark values for each applicable *Scheduled Generator* and *Ancillary Service Provider* class.

AEMO is seeking feedback on the appropriateness and completeness of these classes for current and future *Market Suspension Compensation Claimants*. In considering this question, Consulted Persons should be aware that the NER limit the categories of *Market Suspension Compensation Claimants* to *Scheduled Generators* and *Ancillary Service Providers* in respect of *scheduled generating units*, who supplied energy or



*market ancillary services* during period of market suspension pricing. In other words, compensation is not available to *Semi-Scheduled Generators, Market Customers* or *Ancillary Service Providers* in respect of load.

### 3.2. Calculation of benchmark values

The procedure for the calculation of benchmark values is set out in the Methodology and conforms with NER 3.14.5A(e). The relevant *NTNDP inputs* referred to in the NER are subject to consultation under clause 5.20.1. AEMO is therefore not seeking specific feedback in this consultation on the calculation of individual benchmark costs within the Methodology.

AEMO seeks feedback on the approach to determining the capacity-weighted average amount used to calculate the benchmark value for each *Scheduled Generator* class and *region*, as set out in clause 4.1.2 of the initial Methodology.

### 3.3. AEMO's administrative fees

Under NER 3.14.5B(e), AEMO may recover a fee from a *Market Suspension Compensation Claimant* to recoup some of the costs in administering the claims process NER 3.14.5B, including possible independent expert fees.

If a *Market Suspension Compensation Claimant* claims additional compensation under NER 3.14.5B(a), the initial Methodology provides that an administrative fee of \$3,500 excluding GST is payable on submission of the claim. AEMO considers this reflects a reasonable estimate of AEMO's average administrative costs in considering a straightforward claim, but recognises that the actual administrative costs and potential expert fees incurred in more complex claims could be materially higher.

An administrative fee (or mechanism for determining a fee) needs to balance a number of objectives, some of which were canvassed by the AEMC in its final determination.<sup>1</sup> These include:

- Deter submission of immaterial claims that are less than the costs to the market of processing the claim.
- Not act as a deterrent to claims to the extent that participants are incentivised to withdraw generation and await direction in a market suspension scenario (noting that no fee is payable for an additional compensation claim resulting from a *direction*).
- Provide for an appropriate allocation of costs between an individual generator claimant and the market as a whole, neither encouraging claims with limited merit nor discouraging a participant from claiming legitimate losses and costs – even if the circumstances of the claim warrant independent expert determination.
- Relative simplicity in terms of application and recovery of the fee, noting that a possible two-tier fee structure (for example claims with and without independent expert referral) may require AEMO to collect fee components at different stages of the process, introducing more complexity or uncertainty.

AEMO is seeking feedback on the appropriateness of the current administrative fee for additional compensation claims, and potential options for an alternative fee or structure that addresses the above considerations.

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<sup>1</sup> Available at: [https://www.aemc.gov.au/sites/default/files/2018-11/Final%20determination\\_0.pdf](https://www.aemc.gov.au/sites/default/files/2018-11/Final%20determination_0.pdf)



#### 4. CONCLUSION

Under NER 3.14.5A (h), AEMO is required to develop a methodology in accordance with Rules consultation procedures to determine the classes of *Market Suspension Compensation Claimants*, the calculation of benchmark values and AEMO's administrative fees associated with a claim for additional compensation.

AEMO is consulting on all discretionary aspects of the initial Market Suspension Compensation Methodology published on 19 December 2018, in order to determine an updated Methodology by 19 June 2019.

In accordance with the proposed consultation timetable in Section 1, AEMO invites stakeholder feedback by 20 March 2019 to [Rye.Johnstone@aemo.com.au](mailto:Rye.Johnstone@aemo.com.au).