

## This general guide may assist market participants considering additional compensation claims for directions and market suspension events in June 2022.

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## Frequently asked questions

### Who is entitled to compensation?

The National Electricity Rules (NER) provide for compensation to some market participants whose relevant costs exceed the payments they otherwise receive from AEMO during certain market conditions.

Eligibility for compensation depends on the type of event, the service provided, and the plant used to provide it:

1. **Suspension:** Scheduled generators, ancillary service (FCAS) providers and demand response service providers who receive the spot price in a region when it is determined by the predefined market suspension pricing schedule.
2. **Direction:** A participant directed by AEMO to provide a service using its scheduled plant or market generation under NER 4.8.9.<sup>1</sup>
3. **Administered price:** Scheduled and non-scheduled generators, market customers (for scheduled loads), FCAS providers, demand response service providers and scheduled network service providers affected by spot prices that are limited by the administered price cap or floor (AP), or associated price scaling.

This guide focuses on items 1 and 2, which are the compensation schemes that AEMO oversees.

### Who manages the compensation regimes and where can I find them?

AEMO determines 'provisional' formula-based compensation amounts and manages additional compensation claims for both:

events to 'affected persons' (including eligible settlements residue distribution right holders) and market customers (for scheduled load).

<sup>1</sup> To reduce complexity, this guide does not cover amounts that may be payable for changes in dispatch outcomes resulting from AEMO intervention

- Market suspension (NER 3.14.5A and 3.14.5B)
- Directions (NER 3.15.7, 3.15.7A and 3.15.7B).

The AEMC manages the claims and determination process for AP compensation under NER 3.14.6. The AEMC's compensation guidelines are available on its website<sup>2</sup>, and the AEMC has published information about claims for the June 2022 administered price period<sup>3</sup>. Please contact the AEMC for more information about the AP compensation scheme.

### Which compensation regime applies for directions during AP periods?

A participant directed to provide energy or FCAS during an AP period will receive provisional directions compensation under NER 3.15.7 - for intervals when the suspension pricing schedules *did not* apply.

Directed participants (for any service) may claim additional directions compensation from AEMO under NER 3.15.7A or 3.15.7B as applicable or, if eligible, via the AEMC process. Any compensation awarded under either process will be accounted for in the other, to prevent double recovery.

### Which compensation regime applies for directions in market suspension pricing schedule periods?

A participant directed to provide energy or FCAS when spot prices were being set by the market suspension pricing schedules will receive provisional market suspension compensation under NER 3.14.5A, instead of provisional direction compensation.

In these circumstances, directed participants cannot make additional claims under the suspension compensation provision (NER 3.14.5B), but are entitled to claim additional directions compensation under NER 3.15.7A or 3.15.7B as applicable.

### How much is the 'provisional' compensation and when is it paid?

Under the NER, AEMO calculates provisional compensation amounts for energy or FCAS provided under direction or during suspension pricing schedule periods, using defined formulas. These amounts are paid (without requiring a claim) in the final settlement payment which is 4 weeks after the billing period. At a high level, these provisional amounts are:

- For directions outside suspension pricing schedule periods, determined using the 90th percentile of the relevant market price over the preceding 12 months. This is paid *instead of* the actual spot price revenue for the directed service at the time it was provided. If the 90th percentile price is lower than the prevailing spot price at the time of direction, this means the directed participant will initially be paid less than it would have received without a direction (NER 3.15.7).
- For suspension pricing schedule compensation (including under direction), determined by reference to a published schedule of benchmark values<sup>4</sup>, depending on plant type. In this case the participant retains its spot market revenue. If the amount calculated using the benchmark values exceeds the spot market revenue, they are paid the difference. If it is less, no provisional compensation is payable (NER 3.14.5A).

If the provisional amount does not compensate an eligible participant for its relevant direct costs, it can make an additional compensation claim.

### How do I claim additional compensation from AEMO?

AEMO publishes an [intervention settlement timetable](#) with the steps and timing for additional compensation claims and determinations. These may be updated

<sup>2</sup> At: <https://www.aemc.gov.au/market-reviews-advice/review-compensation-guidelines-include-wholesale-demand-response>

<sup>3</sup> <https://www.aemc.gov.au/news-centre/media-releases/how-lodge-claim-australian-energy-market-commission>

<sup>4</sup> This schedule, together with AEMO's market suspension compensation methodology can be accessed at: <https://aemo.com.au/en/energy-systems/electricity/emergency-management/guide-to-market-suspension-in-the-nem>



periodically, so please check for the latest version of the timetable covering the period you wish to claim for.

If provisional compensation applies, AEMO will notify the participant of that compensation amount. The participant then has 15 business days to make a claim for additional compensation.

Details of how to claim and a description of what can be claimed are provided in 3.15.7B (directions) and 3.14.5B (suspension pricing).

The following points highlight some common issues with claims that AEMO has identified in handling additional directions compensation in recent years.

- *The format of the claim must comply with the rules*

Claims must be received within the time limit, clearly itemised and with sufficient evidence to support each cost component claimed. The claim must include authorised representative certification that it is true and correct.

- *The claim is only for additional costs above what has already been paid by AEMO*

To give a simple example, if a participant's relevant net direct costs are \$100k but it has received trading amounts or provisional compensation from AEMO of \$25k, it may only claim for the additional \$75k of costs.

- *The claim must exclude GST*

GST does not represent a cost to a participant and should be excluded from claims.

- *The supporting evidence must fully substantiate the claim*

Participants are entitled to claim the additional net direct costs they have incurred in delivering a relevant service under direction or suspension pricing. The NER provides guidance on the types of direct costs that can be considered.

Typical generator claims for compensation include start costs, fuel costs and variable operating

maintenance (VoM). For each cost component the documentation to be provided can include spreadsheets, invoices, relevant sections of contracts or information from financial accounts. AEMO and the independent expert will treat all supporting information as confidential.

Start costs are sometimes referenced to third party operating agreements with an equivalent operating hours regime. VoM may also be referenced to a third-party operating agreement or may require supporting information from financial or management accounts.

Supporting information for fuel costs is often a difficult area. AEMO is aware that participants may have multiple sources and multiple uses of fuel e.g. gas delivered on a day may be from a mix of spot purchases, storage, line pack and contracts and could be used for a mix of generation, retail sales or wholesale sales. The claim should provide a clear methodology for how the costs incurred are assigned to the different sources and uses of the fuel. Any recurring, fixed costs will generally be excluded as not meeting the requirement for a net direct cost.

## **What if I was directed to do something other than provide energy or FCAS?**

If you were directed to provide a service other than energy or FCAS, you may be entitled to make a compensation claim under clause 3.15.7A. AEMO will notify relevant participants in this category within 10 business days after issuing the direction.

## **How will my claim be assessed?**

Given the likely number and amount of claims, AEMO expects that most claims will have to be referred to an independent expert (IE) to determine. AEMO uses a panel of experienced experts and will notify claimants of the IE appointed to assess their claim.

The IE typically reviews the documentation provided and follows up directly with the claimant with questions



or further information requests. The IE produces a draft report in line with the intervention settlement timetable which the claimant has the opportunity to provide feedback on. The IE then finalises the report and AEMO processes the claim for revised settlement statements.

Examples of previous IE reports can be found [here](#) under direction reports.

### Is there a claim fee?

AEMO charges participants an administration fee of \$3,500 for making a claim under the market suspension compensation provisions. These fees will offset the total recovery amounts allocated to market customers in the settlements process.

There is no administration fee for claims under clause 3.15.7B but directed participants may only submit a claim if their unrecovered direct costs in relation to any direction exceed \$5,000.

## Where can I find more information?

See AEMO's website for the [Guide to Market Suspension in the NEM](#) and [June 2022 market events](#) presentations, FAQs and reports.

See the AEMC's website ([aemc.gov.au](http://aemc.gov.au)) for the National Electricity Rules and more information on administered price compensation.

If you cannot find what you need on our website, please contact AEMO's Information and Support Hub:

- [supporthub@aemo.com.au](mailto:supporthub@aemo.com.au) or
- call 1300 236 600

Please note AEMO is not able to provide specific advice on your particular circumstances.