

# **AEMO Directions to Participants in South Australia**

5 September 2023

**Draft Determination Report**

## Disclaimer

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## Notes to this report

### Units and dollars

Unless otherwise specified:

- Dollars refer to Australian dollars.
- The claim determination 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 *Directed Participants* in relation to directions issued during Billing Weeks 17 to 20 in 2023.

## 1.1 Background and direction to participants

During billing weeks 17 to 20 in 2023 AEMO issued directions to maintain the system in a secure operating state. Under NER Clause 3.15.7B(c)(1) AEMO must refer claims that exceed \$20,000 to an independent expert. The directions associated with the claims that have been assessed for Claimant1 are summarised in Table 1. The claim for event 305-1 was under \$20,000 and was not referred for assessment. The information in the table has been appropriately masked to maintain confidentiality. For each directed unit the table shows the event number, the time and date the direction was issued, the effective and end time and date as well as the reason for the direction.

Direction event 297 was split into four directions 297-1 to 297-4. Three of these; 297-1, 297-2 and 297-3; fell within the market suspension period in Victoria which applied to pricing schedules from 22 April 2023 1615 hrs to 23 April 2023 0430 hrs. For these directions the claimant is only a direction claimant and AEMO has calculated the DCP in accordance with NER 3.15.7(c). The fourth part, direction event 297-4, has an effective date and time that lies just outside the end of the market suspension period referred to above.

**Table 1 Summary of the directions – assessed claims – Claimant1**

Directed unit	Event number	Issued	Effective	Ended	Reason
PS1	297-1	22/04/2023 18:00	23/04/2023 01:00	23/04/2023 02:10	System security
PS1	297-2	22/04/2023 18:00	23/04/2023 02:15	23/04/2023 02:30	System security
PS1	297-3	22/04/2023 18:00	23/04/2023 03:20	23/04/2023 03:25	System security
PS1	297-4	22/04/2023 18:00	23/04/2023 04:30	23/04/2023 16:30	System security
PS1	298-1	24/04/2023 07:00	24/04/2023 09:00	24/04/2023 14:30	System security
PS1	299-1	24/04/2023 22:00	25/04/2023 08:30	25/04/2023 14:30	System security
PS1	300-1	25/04/2023 17:00	26/04/2023 01:00	26/04/2023 10:45	System security
PS1	300-3	25/04/2023 17:00	26/04/2023 16:30	27/04/2023 06:00	System security
PS1	301-2	26/04/2023 22:05	27/04/2023 10:00	27/04/2023 15:30	System security
PS1	302-1	27/04/2023 16:35	28/04/2023 01:00	28/04/2023 06:30	System security



## AEMO DIRECTIONS TO PARTICIPANTS IN SOUTH AUSTRALIA DURING BW 17-20 2023

Directed unit	Event number	Issued	Effective	Ended	Reason
PS1	304-1	02/05/2023 17:00	03/05/2023 00:00	03/05/2023 05:30	System security
PS1	306-1	05/05/2023 22:00	06/05/2023 10:30	06/05/2023 16:00	System security
PS1	307-1	06/05/2023 17:00	07/05/2023 09:30	07/05/2023 15:30	System security
PS1	308-2	12/05/2023 22:00	13/05/2023 08:30	13/05/2023 15:00	System security
PS1	309-2	13/05/2023 21:00	14/05/2023 01:00	14/05/2023 15:00	System security
PS1	310-1	14/05/2023 21:00	15/05/2023 09:30	15/05/2023 15:00	System security
PS1	311-1	19/05/2023 17:00	20/05/2023 10:30	20/05/2023 16:00	System security

The applicable versions of the NER are version 196, with respective start and end dates of 15 March 2023 to 26 April 2023, up to version 199 with respective start and end dates of 11 May 2023 to 29 May 2023. Based on the information provided in the cover sheets of the NER versions, the amendments incorporated in the NER versions do not impact the determination of additional costs.<sup>1</sup>

### 1.2 Description of services provided

AEMO issued directions to the participant to maintain power system security. A directed participant entitled to compensation under 3.15.7B may submit a claim for additional compensation for the sum of:

- The aggregate loss of revenue and additional net direct costs; less
- The amount notified under 3.15.7(e).

NER 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...; and
- (3) be signed by an authorised officer of the applicant certifying that the written submission is true and correct.”

The claims for additional compensation include amounts due to:

- 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 where applicable) – per 3.15.7B(a3)(6), less
- The amount calculated as ‘DCP’ under 3.15.7(c). AEMO calculates the provisional compensation in accordance with 3.15.7(c) and informs the directed participant pursuant to 3.15.7(e).

<sup>1</sup> AEMC website <https://energy-rules.aemc.gov.au/ner/historic>



AEMO has calculated the compensation amount the directed participant is entitled to receive, DCP, in accordance with *NER Clause 3.15.7(c)*.

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, and

Section 3 – Submissions on matters in the Draft Determination Report.

## 2 Claims for additional compensation – Claimant1

### 2.1 Summary of claims

The assessed claims submitted by Claimant1 comprised direct cost components of 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 additional compensation claimed is equal to the sum of these components less ‘DCP’. The assessed claims submitted by the claimant are summarised in Table 2. The amounts in the claims submitted by the claimant were all rounded to the nearest dollar. The amounts shown in Table 2 are given in dollars and cents based on the supporting information and calculations provided by the claimant in support of the claim. Event 305-1 was not referred for assessment as it is less than \$20,000. The amounts in the table below exclude event 305-1.

**Table 2 Summary of additional compensation claimed – assessed claims – Claimant1**

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Claimed
PS1	297-1	\$41,302.55	\$927.37	\$12,173.41	\$30,056.51
PS1	297-2	\$3,029.63	\$927.37	\$2,568.79	\$1,388.21
PS1	297-3	\$1,025.80	\$927.37	\$846.73	\$1,106.45
PS1	297-4	\$143,318.46	\$1,338.18	\$124,033.19	\$20,623.45
PS1	298-1	\$90,931.93	\$88.70	\$56,950.34	\$34,070.30
PS1	299-1	\$94,240.19	\$192.64	\$61,958.64	\$32,474.19
PS1	300-1	\$138,219.61	\$279.65	\$101,024.38	\$37,474.88
PS1	300-3	\$176,314.37	\$87.01	\$139,311.72	\$37,089.66
PS1	301-2	\$79,906.72	\$27.28	\$58,512.56	\$21,421.44



Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Claimed
PS1	302-1	\$81,368.57	\$29.74	\$56,838.93	\$24,559.38
PS1	304-1	\$96,464.25	\$94.47	\$55,883.32	\$40,675.40
PS1	306-1	\$99,324.69	\$36.92	\$52,536.18	\$46,825.43
PS1	307-1	\$114,882.94	\$1.64	\$62,451.29	\$52,433.29
PS1	308-2	\$138,372.81	\$1,068.56	\$67,433.51	\$72,007.86
PS1	309-2	\$231,377.65	\$2,886.93	\$144,885.31	\$89,379.27
PS1	310-1	\$105,489.02	\$174.64	\$56,848.50	\$48,815.15
PS1	311-1	\$103,399.04	\$358.79	\$56,873.32	\$46,884.51
<b>Total</b>		\$1,738,968.24	\$9,447.26	\$1,111,130.13	\$637,285.38

## 2.2 Assessment of 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)

The claimant calculated gas costs as follows:

- 1) Calculated the gas volume consumed by the directed units based on the deliveries. The quantity of fuel attributed to the direction was prorated based on the dispatch under direction compared to the total dispatch over the period covered by the gas deliveries.
- 2) Gas volumes and prices are supported by information contained in invoices and reports from the claimant’s financial systems. Gas volumes were also reconciled against another reporting source.
- 3) Gas transportation costs were also supported by invoices and reports from the claimant’s financial systems.

The costs and method in the view of IES provides a reasonable reflection of the gas costs incurred in relation to carrying out the *direction*.

### 2.2.2 Additional net direct maintenance costs and start costs

The claimant included costs for O&M and start-up costs attributed to the direction. These are based on actual costs incurred reviewed on a regular basis. Additional detail to support the amount claimed was sought from and provided by the claimant. The claim correctly excludes start costs for direction events 297-2, 297-3 and 297-4. The claimant provided additional information in support of claiming the start costs relating to direction event 311-1. Start costs included in the claim are accepted apart from start costs for direction event 301-2 which have



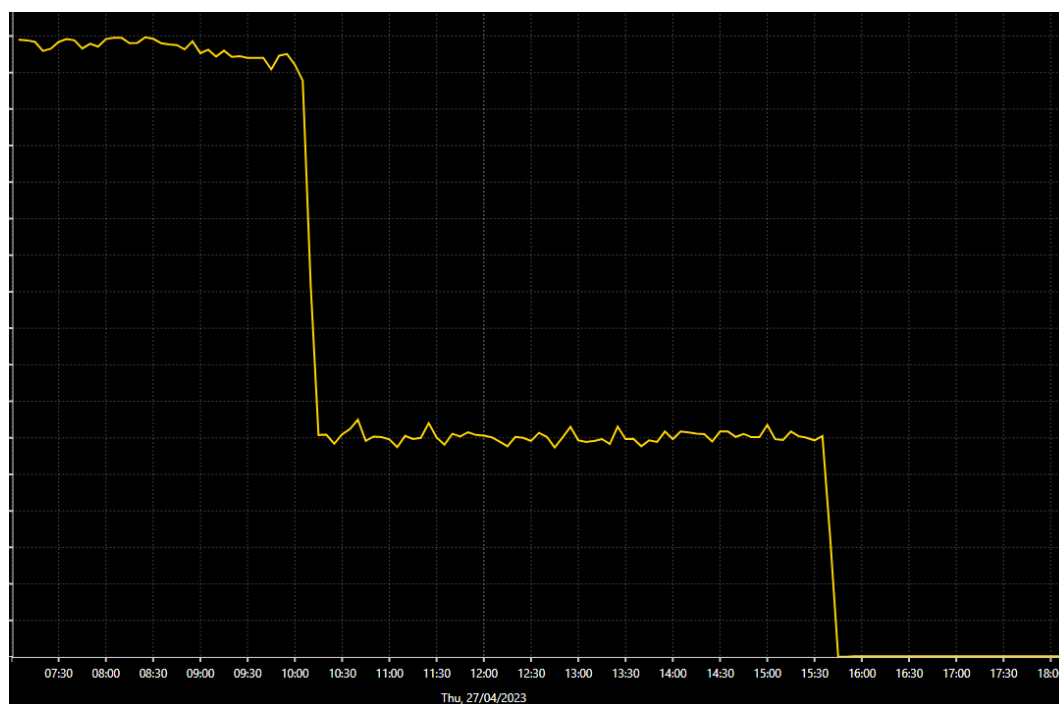


been disallowed and deducted from the determination amount in this report. The reasons for disallowing these costs are discussed next.

2.2.2.1 Direction event 301-2

This direction has effective date and time of 27/04/2023 10:00 and end date and time of 27/04/2023 15:30. The directed unit was generating before the start of the direction. It is our opinion that it is incorrect to attribute start costs for this unit to the direction. The determination has adjusted the claimed amount accordingly. The adjustment resulted in a negative additional amount for this direction. In our opinion the claimant is not entitled to compensation in relation to this direction event. A screenshot of the generation by the unit is shown below in Figure 1. The screenshot below is heavily redacted to maintain anonymity of the claimant. The horizontal axis shows the date and time, including the period before the commencement of the direction. The vertical axis is MW generated but the scale has been removed to maintain anonymity. As the screenshot shows, the unit was generating well before the commencement of the direction.

Figure 1 Directed Unit Generation Before and During the Direction Event 301-2



Source: NEOpoint<sup>2</sup>

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 costs were prorated for energy generated while under direction.

<sup>2</sup> NEOpoint is a data reporting and analysis web product developed and licensed by IES. Access is by subscription. The data was downloaded from Neopoint.com.au on 4 September 2023.



### 2.2.4 The amount calculated as DCP

The method of calculating the provisional 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 90<sup>th</sup> percentile of prices for energy in the year immediately preceding the trading day of the *direction*. This amount was calculated by AEMO. The DCP amount calculated by AEMO in accordance with NER 3.15.7(c) included the amounts for direction event 297. Direction 297 was split into four directions 297-1 to 297-4. Three of these; 297-1, 297-2 and 297-3; fell within the market suspension period in Victoria which applied to pricing schedules from 22 April 2023 1615 hrs to 23 April 2023 0430 hrs. For these directions the claimant is only a direction claimant. The fourth part, direction event 297-4, has an effective date and time that lies just outside the end of the market suspension period referred to above.

### 2.3 Summary of the determination

The independent expert made what it considers to be a reasonable adjustment of the claimed costs related to direction event 301-2 as discussed above. Table 3 summarises the determination based on the above assessment. Direction Event 301-2 has been excluded from the determination summary in Table 3. Following assessment of the claims, the independent expert’s determination is that the claimant is entitled to an additional compensation amount equal to \$615,863.94 .

**Table 3 Summary of determination – Claimant1**

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Determination
PS1	297-1	\$41,302.55	\$927.37	\$12,173.41	\$30,056.51
PS1	297-2	\$3,029.63	\$927.37	\$2,568.79	\$1,388.21
PS1	297-3	\$1,025.80	\$927.37	\$846.73	\$1,106.45
PS1	297-4	\$143,318.46	\$1,338.18	\$124,033.19	\$20,623.45
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PS1	300-3	\$176,314.37	\$87.01	\$139,311.72	\$37,089.66
PS1	302-1	\$81,368.57	\$29.74	\$56,838.93	\$24,559.38
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PS1	306-1	\$99,324.69	\$36.92	\$52,536.18	\$46,825.43



Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Determination
PS1	307-1	\$114,882.94	\$1.64	\$62,451.29	\$52,433.29
PS1	308-2	\$138,372.81	\$1,068.56	\$67,433.51	\$72,007.86
PS1	309-2	\$231,377.65	\$2,886.93	\$144,885.31	\$89,379.27
PS1	310-1	\$105,489.02	\$174.64	\$56,848.50	\$48,815.15
PS1	311-1	\$103,399.04	\$358.79	\$56,873.32	\$46,884.51
<b>Total</b>		\$1,659,061.52	\$9,419.99	\$1,052,617.57	\$615,863.94

### 3 Submissions on matters in the Draft Determination Report

Interested parties are invited to make submissions on the matters contained in the draft determination report in accordance with the intervention settlement timetable. Details of the closing time to receive submissions are set out in said timetable. This invitation is in fulfilment of the requirements of the NER.

