

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

11 November 2024

**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 29 to 32 in 2024. Under NER Paragraph 3.15.7B(c)(1) AEMO must refer claims that exceed \$20,000 to an independent expert. This report presents the assessment of the referred claims.

## 1.1 Background and direction to participants

During billing weeks 29 to 32 in 2024 AEMO issued directions to maintain the system in a secure operating state. The directions associated with the claims that have been assessed for Claimant1 and Claimant2 are summarised in Table 1 and Table 2 respectively. The information in the tables have been appropriately masked to maintain confidentiality. For each directed unit in an event, the table shows the time and date the direction was issued, the start and end time for each direction, and the reason AEMO issued the direction.

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

Directed unit	Event number	Issued	Effective	Cancelled	Reason
PS2	532-1	15/07/2024 16:00	15/07/2024 22:00	16/07/2024 15:00	System security - voltage
PS2	533-1	18/07/2024 17:00	19/07/2024 0:30	19/07/2024 14:00	System security - voltage
PS2	534-1	19/07/2024 15:30	19/07/2024 22:30	20/07/2024 15:00	System security - voltage
PS4	534-2	19/07/2024 15:30	20/07/2024 0:30	20/07/2024 15:00	System security - voltage
PS2	535-1	20/07/2024 14:00	21/07/2024 0:30	21/07/2024 17:00	System security - voltage
PS4	535-2	20/07/2024 14:00	21/07/2024 0:30	21/07/2024 17:00	System security - voltage
PS3	536-3	21/07/2024 12:00	22/07/2024 11:00	22/07/2024 13:00	System security - voltage
PS4	537-1	22/07/2024 14:40	23/07/2024 0:30	25/07/2024 4:00	System security - voltage
PS3	537-3	23/07/2024 17:00	23/07/2024 22:00	25/07/2024 1:30	System security - voltage
PS4	539-2	25/07/2024 17:00	25/07/2024 22:30	26/07/2024 17:00	System security - voltage
PS3	539-1	25/07/2024 17:00	26/07/2024 9:00	26/07/2024 15:30	System security - voltage
PS4	540-2	26/07/2024 16:00	27/07/2024 0:00	27/07/2024 14:00	System security - voltage
PS3	540-1	26/07/2024 16:00	27/07/2024 9:30	27/07/2024 15:00	System security - voltage



**Table 2 Summary of the directions – assessed claims – Claimant2**

Directed unit	Event number	Issued	Effective	Cancelled	Reason
PS1	542-1	1/08/2024 16:00	2/08/2024 0:00	2/08/2024 12:30	System security - voltage

The NER version applicable to the claims is version 214 with start and end dates of 11 July 2024 to 28 August 2024.<sup>1</sup>

## 1.2 Description of services provided

AEMO issued directions to participants 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 Paragraph 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 connected with the *directed resource* due to:

- Additional net direct fuel costs – per 3.15.7B(a3)(1), plus
- Additional net direct maintenance costs – per 3.15.7B(a3)(2), plus
- Additional net direct other costs – per 3.15.7B(a3)(6), less
- The amount calculated as ‘DCP’ under 3.15.7(c). AEMO calculated the provisional compensation in accordance with 3.15.7(c) and informed the directed participant pursuant to 3.15.7(e).

Where it is considered important for clarity, terms defined in the NER have been italicised in the report. A reference to a section, subsection or paragraph 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 of this report – Claims for additional compensation – Claimant1,
- Section 3 of this report – Claims for additional compensation – Claimant2, and
- Section 4 of this report – Submissions on matters in the Draft Determination Report.

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



## 2 Claims for additional compensation – Claimant1

### 2.1 Summary of claims

The assessed claims submitted by Claimant1 comprised direct cost components of fuel cost, 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 3. The claimant rounded the claimed amount for each event to the nearest dollar. These amounts are shown in the last column in Table 3 under the heading “Additional Compensation Claimed”. The other amounts shown in Table 3 are given in dollars and cents based on the information and calculations provided by the claimant in support of the claim. Recovery of FCAS was not claimed.

**Table 3 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
PS2	532-1	\$162,458.77	\$0	\$137,241.14	\$25,218
PS2	533-1	\$129,707.56	\$0	\$108,997.54	\$20,710
PS2	534-1	\$160,091.25	\$0	\$136,708.01	\$23,383
PS4	534-2	\$138,998.31	\$0	\$117,410.81	\$21,588
PS2	535-1	\$159,681.22	\$0	\$137,185.92	\$22,495
PS4	535-2	\$158,258.15	\$0	\$133,945.91	\$24,312
PS3	536-3	\$48,328.74	\$0	\$10,402.63	\$37,926
PS4	537-1	\$492,774.64	\$0	\$414,294.82	\$78,480
PS3	537-3	\$255,057.67	\$0	\$218,648.01	\$36,410
PS4	539-2	\$176,901.97	\$0	\$148,051.73	\$28,850
PS3	539-1	\$84,388.01	\$0	\$49,979.59	\$34,408
PS4	540-2	\$134,262.65	\$0	\$112,370.06	\$21,893
PS3	540-1	\$69,298.49	\$0	\$41,895.65	\$27,403
<b>Total</b>		<b>\$2,170,207.44</b>	<b>\$0</b>	<b>\$1,767,131.83</b>	<b>\$403,076.00</b>



## 2.2 Assessment of the claimed amounts

This section assesses the claims for adherence with the relevant version of the NER, examines the method applied and correctness of the calculations of each of the components of net additional costs included in the claims.

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

The claimant 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 was taken 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. Gas prices were supported by invoices.
- 3) Gas transportation costs were not claimed as no additional costs were incurred in connection with the directions.

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 (VOM) – per paragraph 3.15.7B(a3)(2)

The claimant used a VOM rate per hour of operation based on data from a very old study and indexed that cost to Dec 2023 by applying an appropriate index series (All groups CPI, Adelaide) published by the Australian Bureau of Statistics (ABS). The amount claimed for VOM was compared to the VOM \$/MWh rate for these units provided in AEMO's input data for 2023-24 market modelling studies '2023 IASR Assumptions Workbook; Variable OPEX tab; Existing, Committed and Anticipated generators table' available on AEMO's website.<sup>2</sup> AEMO's workbook expresses the VOM costs in 30 June 2023 terms. For the purposes of the determination, AEMO's VOM costs were indexed to terms consistent with the period of the directions using CPI data published by the Australian Bureau of Statistics.<sup>3</sup> The direction events occurred during the September 2024 quarter. The CPI index applied to the direction claim amounts was calculated by linear interpolation between the index of the quarter the direction occurred in and the quarter immediately preceding it.<sup>4</sup> The VOM estimate based on the indexed ISP data was lower

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<sup>2</sup> AEMO website <https://aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2024-integrated-system-plan-isp/current-inputs-assumptions-and-scenarios>.

<sup>3</sup> Australian Bureau of Statistics, time series workbook. 6401.0 Consumer Price Index, Australia; 'TABLE 5. CPI: Groups, Index Numbers by Capital City', 'Data1', Index Numbers; All groups CPI; Adelaide, Series ID A2325821J. June 2024. Available at <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#data-download>

<sup>4</sup> It is noted that estimating VOM with reference to the ISP data indexed by the CPI index data is essentially the same approach adopted in a number of previous determinations. See for example the final determination 'Final Assessment of Additional Compensation for Directions in SA Between February 25th and March 26<sup>th</sup>, 2021 by the consultancy SLC.





than the claimed amount. We have adjusted downward the VOM amount for this direction by \$ 5,365.50.

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

The claim does not include amounts related to FCAS recovery.

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

Start-up costs were based on an engineering report and information provided by the claimant. To assess reasonableness of 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.

### 2.2.5 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 paragraph 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.

## 2.3 Summary of the determination

Following assessment of the claims, the independent expert made, what in our view is, a reasonable adjustment of the claimed amount as discussed above. As a result, the determined amount is lower than claimed by \$5,365.50. Table 4 summarises the determination based on the above assessment. The independent expert’s determination is that the claimant is entitled to an additional compensation amount equal to \$397,710.11.

**Table 4 Summary of determination – Claimant1**

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Determination
PS2	532-1	\$162,064.48	\$0	\$137,241.14	\$24,823.33
PS2	533-1	\$129,396.21	\$0	\$108,997.54	\$20,398.66
PS2	534-1	\$159,736.98	\$0	\$136,708.01	\$23,028.96
PS4	534-2	\$138,650.57	\$0	\$117,410.81	\$21,239.75
PS2	535-1	\$159,334.03	\$0	\$137,185.92	\$22,148.12
PS4	535-2	\$157,867.66	\$0	\$133,945.91	\$23,921.75
PS3	536-3	\$48,203.48	\$0	\$10,402.63	\$37,800.85



Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Determination
PS4	537-1	\$491,522.95	\$0	\$414,294.82	\$77,228.13
PS3	537-3	\$254,354.73	\$0	\$218,648.01	\$35,706.71
PS4	539-2	\$176,449.42	\$0	\$148,051.73	\$28,397.68
PS3	539-1	\$84,201.58	\$0	\$49,979.59	\$34,221.98
PS4	540-2	\$133,924.49	\$0	\$112,370.06	\$21,554.43
PS3	540-1	\$69,135.37	\$0	\$41,895.65	\$27,239.72
<b>Total</b>		<b>\$2,164,841.94</b>	<b>\$0</b>	<b>\$1,767,131.83</b>	<b>\$397,710.11</b>

### 3 Claims for additional compensation – Claimant2

#### 3.1 Summary of claims

The assessed claims submitted by Claimant2 comprised direct cost components of fuel cost including variable transportation cost, operations and maintenance cost, start-up costs. The claim did not contain amounts related to the 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 5. The amounts shown in Table 5 in the ‘Additional Compensation Claimed’ column are based on the amounts in the claim submission which have been rounded down by the claimant. The other amounts are expressed in dollars and cents based on the information provided by the claimant in support of the claim.

**Table 5 Summary of additional compensation claimed – assessed claims – Claimant2**

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Claimed
PS1	542-1	\$203,632.64	\$0	\$102,934.67	\$100,697.00
<b>Total</b>		<b>\$203,632.64</b>	<b>\$0</b>	<b>\$102,934.67</b>	<b>\$100,697.00</b>

#### 3.2 Assessment of the claimed amounts

This section assesses the claims for adherence to the relevant version of the NER, examines the method applied and correctness of the calculations of each of the components of net additional costs included in the claims.

##### 3.2.1 Additional net direct fuel costs (Gas) – per paragraph 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.
- 2) Gas volumes and prices are supported by information contained in invoices. Gas volumes were also reconciled against another reporting source.
- 3) Gas transportation costs were supported by invoices.

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

### **3.2.2 Additional net direct maintenance costs and start costs) – per paragraphs 3.15.7B(a3)(2) and 3.15.7B(a3)(6)**

The claimant included costs for O&M costs attributed to the direction. These are based on actual costs incurred reviewed on a regular basis. The claimant did not claim start up costs.

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

The claimant did not claim amounts related to FCAS recovery.

### **3.2.4 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 paragraph 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 claimant rounded DCP amounts for each five-minute interval to the nearest cent and summed the rounded amounts. AEMO provided DCP amounts for each direction event based on the sum of amounts per interval before rounding, with the rounding applied to the aggregate DCP amount of each direction event. The DCP amount used in calculating the claim for event 542-1 is higher than the amount provided by AEMO based on unrounded (higher precision) figures. This reduces the calculated claim amount by \$0.01.

### **3.2.5 Summary of the assessment**

Table 6 summarises the assessment of the amounts claimed. The DCP amount used by the claimant in calculating the claim reduces the claim by \$0.01. In arriving at the claim amount, the claimant rounded down its calculated amount to the nearest dollar. The rounding removed \$0.97 from the calculated amount. The claimed amounts are summarised in Table 6.

**Table 6 Summary of the assessment – Claimant2**

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Determination
PS1	542-1	\$203,632.64	\$0	\$102,934.67	\$100,697.00
<b>Total</b>		\$203,632.64	\$0	\$102,934.67	\$100,697.00



### **3.3 Summary of the determination**

Following assessment of the submitted claims and supporting information the independent expert has allowed the amounts claimed by the claimant. The independent expert's determination is that the claimant is entitled to an additional compensation amount equal to \$100,697.00 as claimed.

## **4 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.

