

AEMO Directions to Participants in South Australia and Victoria

20 March 2025

Draft Determination Report

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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 45 to 48 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 45 to 48 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, Claimant2 and Claimant3 are summarised in Table 1, Table 2 and Table 3 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
PS4	576-1	7/11/2024 16:00	7/11/2024 23:00	11/11/2024 15:00	System security - voltage
PS3	578-1	12/11/2024 17:00	13/11/2024 7:30	13/11/2024 16:30	System security - voltage
PS2	581-1	14/11/2024 16:00	15/11/2024 7:00	15/11/2024 14:30	System security - voltage
PS3	582-2	15/11/2024 14:45	16/11/2024 0:30	21/11/2024 13:30	System security - voltage
PS2	582-4	18/11/2024 16:30	19/11/2024 8:00	21/11/2024 13:35	System security - voltage

Table 2 Summary of the directions – assessed claims – Claimant2

Directed unit	Event number	Issued	Effective	Cancelled	Reason
PS1	576-2	7/11/2024 16:00	7/11/2024 23:00	8/11/2024 17:00	System security - voltage
PS1	576-3	8/11/2024 16:30	9/11/2024 10:30	9/11/2024 16:30	System security - voltage
PS1	576-4	9/11/2024 16:00	10/11/2024 7:00	10/11/2024 23:45	System security - voltage
PS1	576-5	11/11/2024 0:30	11/11/2024 1:00	11/11/2024 5:30	System security - voltage
PS1	576-6	11/11/2024 5:30	11/11/2024 7:30	11/11/2024 15:00	System security - voltage
PS1	577-1	11/11/2024 16:00	12/11/2024 8:30	12/11/2024 14:30	System security - voltage



AEMO DIRECTIONS TO PARTICIPANTS IN SOUTH AUSTRALIA DURING BW 45-48 2024

Directed unit	Event number	Issued	Effective	Cancelled	Reason
PS1	582-3	16/11/2024 16:00	17/11/2024 1:00	18/11/2024 18:30	System security - voltage

Table 3 Summary of the directions – assessed claims – Claimant3

Directed unit	Event number	Issued	Effective	Cancelled	Reason
PS1	580-1	14/11/2024 9:00	14/11/2024 9:30	15/11/2024 8:00	System security - system strength
PS2	580-2	14/11/2024 9:00	14/11/2024 9:30	15/11/2024 8:00	System security - system strength

The NER version applicable to the claims is version 217 with start and end dates of 10 October 2024 to 30 November 2024.¹

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).

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



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,
- Section 4 of this report – Claims for additional compensation – Claimant3, and
- Section 5 of this report – 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, variable operations and maintenance cost (VOM), start up costs for some events. 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 4. The claimant rounded the claimed amount for each event to the nearest dollar. These amounts are shown in the last column in Table 4 under the heading “Additional Compensation Claimed”. The other amounts shown in Table 4 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 4 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
PS4	576-1	\$767,685.18	\$0	\$725,943.35	\$41,742.00
PS3	578-1	\$100,605.40	\$0	\$67,018.16	\$33,587.00
PS2	581-1	\$98,992.61	\$0	\$58,409.34	\$40,583.00
PS3	582-2	\$1,127,625.21	\$0	\$1,077,064.34	\$50,561.00
PS2	582-4	\$495,850.17	\$0	\$441,634.76	\$54,215.00
Total		\$2,590,758.56	\$0	\$2,370,069.95	\$220,688.00

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 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.

Charges due to change in the quantities nominated for 25 June 2024 are included in the claim for direction event 581-1. Nomination charges included in the claim incorporate fixed charges per nomination request (a little under 90% of the amount) and quantity-based charges (a little over 10% of the amount). The amounts are supported by invoices. During the direction day a second unit, not on direction, was generating as well. The non-directed unit had been running prior to the direction and the nomination was triggered by the direction notification. In a previous determination an allocation to both units was carried out as follows: The fixed charge was allocated equally to both units. On the variable charge, while the preferred approach is to allocate the charges to the directed unit based on the quantity of GJ varied up. This information was not provided and the variable charge is prorated based on the energy generated by the directed unit, while under direction, during the gas day on which the direction event occurred relative to the energy generated by both, the directed and non-directed units, during the gas day. This approach to estimating the variable charges has limitations as it does not account for any differences in the heat rate of the two units. While acknowledging these limitations, it is in our opinion a reasonable approach given the information available and the materiality of the monetary amount. Applying this method results in allocating a little over 10% of the variable charges to the directed unit. The total reduction of the fixed and variable nomination charges is \$259.86. Nomination charges were not included for other direction events in the claim.

Apart from the adjustments related to nomination charges referred to above, the costs and method in the view of IES provide 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.² 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.³ The direction events occurred during the December 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.⁴ The VOM estimate based on the indexed ISP data was lower than the claimed amount. We have adjusted downward the VOM amount for this direction by \$ 8,204.73.

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 90th 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 \$ 8,464.59. Table 5 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 \$ 212,224.02.

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

³ 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. December 2024. Available at <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#data-download>

⁴ 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 several previous determinations. See for example the final determination 'Final Assessment of Additional Compensation for Directions in SA Between February 25th and March 26th, 2021 by the consultancy SLC.



Table 5 Summary of determination – Claimant1

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Claimed
PS4	576-1	\$765,295.76	\$0	\$725,943.35	\$39,352.41
PS3	578-1	\$100,277.90	\$0	\$67,018.16	\$33,259.74
PS2	581-1	\$98,483.89	\$0	\$58,409.34	\$40,074.55
PS3	582-2	\$1,123,795.39	\$0	\$1,077,064.34	\$46,731.06
PS2	582-4	\$494,441.03	\$0	\$441,634.76	\$52,806.27
Total		\$2,582,293.97	\$0	\$2,370,069.95	\$212,224.02

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 6. The amounts shown in Table 6 in the ‘Additional Compensation Claimed’ column are based on the amounts in the claim submission. The other amounts are expressed in dollars and cents based on the information and calculations provided by the claimant in support of the claim.

Table 6 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	576-2	\$270,879.21	\$0	\$159,769.36	\$111,109.85
PS1	576-3	\$110,599.23	\$0	\$53,096.08	\$57,503.15
PS1	576-4	\$256,874.30	\$0	\$148,267.27	\$108,607.03
PS1	576-5	\$61,838.84	\$0	\$40,446.75	\$21,392.09
PS1	576-6	\$105,100.72	\$0	\$67,110.81	\$37,989.91
PS1	577-1	\$85,534.33	\$0	\$53,242.53	\$32,291.80
PS1	582-3	\$642,547.29	\$0	\$365,202.10	\$277,345.19
Total		\$1,533,373.91	\$0	\$887,134.90	\$646,239.02



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 up 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 supported the start up costs included for some direction events in the claims.

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 90th 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 effect of rounding netted out at the aggregate of the claim of all events. There is no need to adjust the claimed amount.

3.2.5 Summary of the assessment

Table 7 summarises the assessment of the amounts claimed. The determination is summarised in Table 7.



Table 7 Summary of the assessment – Claimant2

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Determination
PS1	576-2	\$270,879.21	\$0	\$159,769.37	\$111,109.85
PS1	576-3	\$110,599.23	\$0	\$53,096.07	\$57,503.16
PS1	576-4	\$256,874.30	\$0	\$148,267.35	\$108,606.94
PS1	576-5	\$61,838.84	\$0	\$40,446.74	\$21,392.09
PS1	576-6	\$105,100.72	\$0	\$67,110.79	\$37,989.94
PS1	577-1	\$85,534.33	\$0	\$53,242.50	\$32,291.83
PS1	582-3	\$642,547.29	\$0	\$365,202.08	\$277,345.21
Total		\$1,533,373.91	\$0	\$887,134.89	\$646,239.02

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 \$646,239.02 as claimed.

4 Claims for additional compensation – Claimant3

4.1 Summary of claims

The assessed claims submitted by Claimant3 comprised direct cost components of fuel cost and start up costs. The claim did not contain amounts related to the recovery of contingency FCAS or variable O&M. 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 6.

Table 8 Summary of additional compensation claimed – assessed claims – Claimant3

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Claimed
PS1	580-1	\$180,804.87	\$-	\$136,176.80	\$44,628.07
PS1	580-2	\$180,804.87	\$-	\$134,273.98	\$46,530.89
Total		\$361,609.75	\$-	\$ 270,450.78	\$91,158.97



4.2 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.

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

The claimant calculated gas costs as follows:

- 1) Determined the gas volume consumed by the directed units based on AEMO MIBB int149 report. The volume was divided equally to both units under direction. The allocation of gas to individual units does not impact the total claimed cost.
- 2) The gas price was supported by information contained in invoices.

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

4.2.2 Additional net direct maintenance costs and start up costs) – per paragraphs 3.15.7B(a3)(2) and 3.15.7B(a3)(6)

The claimant included start up costs attributed to the direction. The cost included in the claim was supported by additional information provided by the claimant.

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

The claimant did not claim amounts related to FCAS recovery.

4.2.4 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 90th percentile of prices for energy in the year immediately preceding the trading day of the *direction*. This amount was calculated by AEMO.

4.2.5 Summary of the assessment

Table 7 summarises the assessment of the claim.

Table 9 Summary of the assessment – Claimant3

Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Determination
PS1	580-1	\$180,804.87	\$-	\$136,176.80	\$44,628.07
PS1	580-2	\$180,804.87	\$-	\$134,273.98	\$46,530.89



Directed unit	Event No.	Total Fuel Cost + VOM Cost + Start up Cost	FCAS Recovery	DCP	Additional Compensation Determination
Total		\$361,609.75	\$-	\$ 270,450.78	\$91,158.97

4.3 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 \$91,158.97 as claimed.

5 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.

