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# Guide to Intervention Pricing

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**December 2020**

NER 3.9.3

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# Important notice

## PURPOSE

The Australian Energy Market Operator (AEMO) publishes the Guide to Intervention Pricing to provide general information about the operation of the intervention price provisions in the National Electricity Market (NEM) as at the date of publication.

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## VERSION CONTROL

Version	Release date	Changes
2.0	12/07/2019	<ul style="list-style-type: none"><li>• Updated to new AEMO template</li><li>• Modified for 5-minute settlement</li></ul>
2.1	31/12/2020	<ul style="list-style-type: none"><li>• Updated to reflect changes to RRN test</li></ul>

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# 1. Introduction

The intervention price provisions of the National Electricity Rules (NER) form an important component of pricing in the National Electricity Market (NEM). These are implemented during periods when AEMO intervenes in the NEM by issuing a direction in accordance with NER clause 4.8.9 or exercising the Reliability and Emergency Reserve Trader (RERT) provisions in NER rule 3.20.

In accordance with NER clause 3.9.3(b), AEMO must set the energy and ancillary service prices during intervention at the prices that would have applied had the Intervention not occurred.

## 2. Declaration of intervention pricing

NER clause 3.9.3(a) requires AEMO to declare an intervention dispatch interval (IPI) when it intervenes in the market by directing a participant or exercising the RERT.<sup>1</sup> AEMO makes the declaration through a Market Notice.

In accordance with NER clause 3.9.3(b2), intervention pricing is not invoked for some interventions.

- This applies for those interventions where an equivalent intervention at the regional reference node would not have removed the need for the original intervention. For example, if a generator is directed to operate its generating plant to address a supply deficiency that is confined to a part of the network that does not include the regional reference node, then intervention pricing is not invoked. This might occur if a network constraint was restricting supply to a remote area near the directed generator.
- This also applies to interventions for services which are not priced by the dispatch algorithm i.e. non-energy or non-market ancillary services. These services include, but are not limited to:
  - inertia;
  - voltage control;
  - system strength; and
  - non-market ancillary services.

In all these cases normal price setting as per NER clauses 3.9.2 and 3.9.2A continues.

In accordance with NER clause 3.9.3(c), AEMO is also allowed a small amount of time after intervening in the market to begin intervention pricing, if intervention pricing is required, but must use reasonable endeavours to start intervention pricing as soon as practicable.

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<sup>1</sup> For AEMO's procedure see System Operation Procedure SO\_OP3707: Intervention, Direction and Clause 4.8.9 Instructions ([https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security\\_and\\_Reliability/Power\\_System\\_Ops/Procedures/SO\\_OP\\_3707---Intervention-Direction-and-Clause-4-8-9-Instructions.pdf](https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security_and_Reliability/Power_System_Ops/Procedures/SO_OP_3707---Intervention-Direction-and-Clause-4-8-9-Instructions.pdf))

### 3. Operation during an intervention price period in a region

When an IPI is declared and intervention pricing is invoked, AEMO publishes a market notice to advise of the start of an intervention price period. Calculation of dispatch targets and intervention pricing is then triggered in NEMDE<sup>2</sup> by initiating two parallel runs:

- The Intervention/Outturn run determines the dispatch targets for all generating units and scheduled loads during the intervention event. This run takes into account the consequences of issuing a direction or exercising the RERT.
- The What-If/Pricing run determines the energy and ancillary service prices on which the market will be settled. This run is used to calculate energy and ancillary service prices that would have applied had the intervention event not occurred.

More information on the calculation of intervention pricing is contained in the Intervention Pricing Methodology Procedure. Th procedure is available at: [https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security\\_and\\_Reliability/Dispatch/Policy\\_and\\_Process/2019/Intervention-Pricing-Methodology.pdf](https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security_and_Reliability/Dispatch/Policy_and_Process/2019/Intervention-Pricing-Methodology.pdf)

### 4. Effect on connected regions

During an intervention event the energy and FCAS prices from the intervention pricing run are applied to all regions whether intervention has occurred in that region or not. Prices in interconnected regions may be further modified by market price cap scaling, market floor price scaling, or administered pricing scaling. In these scenarios the appropriate scaling arrangements required under the Rules<sup>3</sup> are used to override the intervention prices calculated for adjacent regions.

### 5. End of an intervention price period

An intervention price period ends when the direction or activation of RERT ceases. This is advised by AEMO via a Market Notice.

### 6. Compensation

Intervention pricing does not trigger compensation directly. Following an Intervention event, AEMO determines the compensation amounts payable to any participant that was the subject of a direction (Directed Participant) or to any holder of a reserve contract that was exercised under the RERT provisions.

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<sup>2</sup> National Electricity Market Dispatch Engine, which determines dispatch and pricing outcomes for each 5-minute interval.

<sup>3</sup> See NER 3.9.5(c) for market price cap scaling, NER 3.9.6A(c) for market floor price scaling, and NER 3.14.2(e) for administered price scaling

AEMO also calculates any compensation to (or clawback from) scheduled generators or scheduled network providers (Affected Participants) whose dispatch was impacted by the intervention, along with any compensation for scheduled loads (Market Customers) and any compensation for Settlement Residue Auction (SRA) unit holders (eligible persons) due to the impact to flows across interconnectors. This compensation (or clawback) has a lower limit of \$5,000 per participant per AEMO intervention event.

Affected Participants and Directed Participants may make submissions to AEMO claiming additional amounts of compensation taking into account direct costs such as fuel, incremental maintenance and staffing costs.<sup>4</sup>

## 6.1 Compensation Recovery

Any compensation that AEMO pays due to intervention in the market is recovered from Market Customers in the regions benefitting from the intervention.<sup>5</sup> Compensation payments and recovery amounts are shown on preliminary and final settlement statements for the billing week in which the compensation determination is published to the market.

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<sup>4</sup> See NER 3.12.2(j) and NER 3.15.7B.

<sup>5</sup> See NER 3.15.8 for funding of compensation for directions.