

Claims by Affected Participants in South Australia

15 March 2023

Draft Determination Report

Disclaimer

This report has been prepared by IES Advisory Services (IES) for AEMO and is supplied in good faith and reflects the knowledge, expertise and experience of the consultants involved. In conducting the analysis for this report IES has endeavoured to use what it considers is the best information available at the date of publication. IES makes no representations or warranties as to the accuracy of the assumptions or estimates on which the forecasts and calculations are based.

The degree of reliance placed upon the projections in this report is a matter for that reader's own commercial judgement and IES accepts no responsibility whatsoever for any loss occasioned by any person acting or refraining from action as a result of reliance on the report.



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.



Table of Contents

Disclaimer	ii
Notes to this report	iii
<u>1</u> Introduction.....	<u>1</u>
1.1 Background	1
<u>2</u> Adjustment claims by the Affected Participant – Claimant1	<u>1</u>
2.1 Summary of claims.....	2
2.2 Summary of the compensation framework	3
2.3 Assessment of the claim	4
2.4 Summary of the determination.....	4
<u>3</u> Submissions on matters in the Draft Determination Report	<u>5</u>



1 Introduction

IES has been appointed by AEMO as independent expert to assess adjustment claims submitted by *Affected Participants* related to directions issued during Billing Weeks 45 to 48 in 2022.

1.1 Background

During billing weeks 45 to 48 in 2022 AEMO issued directions to directed participants to provide frequency control ancillary services (FCAS). Under NER subparagraph 3.12.2(l)(1), AEMO referred the *adjustment claim* made by an *Affected Participant* and *Market Customer* to an independent expert to determine such claim in accordance with clause 3.12.3. The directions associated with the adjustment claims that have been assessed for Claimant1 are summarised in Table 1, with the information appropriately masked to maintain confidentiality. For each unit included in the claim, the table shows the date, the start time and end time for the directions associated with the adjustment claims.

Table 1 Summary of the assessed claims

Participant	Event number	Effective	Ended
Affected Participant	201, 202, 203	15/11/2022 07:00	19/11/2022 19:00
Market Customer	201, 202, 203	15/11/2022 07:00	19/11/2022 19:00

The applicable versions of the NER are versions 190 and 191 with respective start and end dates of 15 November 2022 to 16 November 2022, and 17 November 2022 to 30 November 2022.

The remainder of this report is organised as follows:

Section 2 – Adjustment claims by the Affected Participant – Claimant1, and

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

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, paragraph, or subparagraph in the NER; unless stated otherwise.

2 Adjustment claims by the Affected Participant – Claimant1

AEMO issued directions to directed participants during billing weeks 45 to 48 2022 to provide FCAS. AEMO declared all dispatch intervals during the AEMO Intervention Event to be



intervention price trading intervals. The entitlement to compensation in this framework is in respect of each *intervention price trading interval*. The declared trading intervals (TI) are:

- TI ending 0705 hrs to TI ending 1500 hrs on 15 November 2022
- TI ending 0750 hrs to TI ending 1700 hrs on 17 November 2022
- TI ending 0830 hrs on 18 November 2022 to TI ending 1900 hrs on 19 November 2022

AEMO notified the claimant in accordance with NER 3.12.2(c)(1) that the claimant is entitled to compensation as an Affected Participant. AEMO has determined the compensation amount to be \$0.00. The claimant made a written submission in accordance with NER clause 3.12.2(g).

2.1 Summary of claims

The NER entitles an *Affected Participant* or *Market Customer* to make a written submission to AEMO to claim a difference between the amount notified by AEMO under 3.12.2(c)(1) or (c)(3), respectively, and its entitlement under 3.12.2(a)(1) or (a)(2) as applicable. The claim must comply with the requirements of 3.12.2(g) and is subject to the amount to be received or paid being more than \$5,000, refer to 3.12.2(i). A summary of the *adjustment claims* made by the claimant is shown in Table 2.

Table 2 Summary of adjustment claims

Participant	Event number	Energy	FCAS	Total
Affected Participant and Market Customer	201, 202, 203	\$357,582.52	\$109,347.27	\$466,929.79

The NER entitles an *Affected Participant* or *Market Customer* to make a written submission to AEMO to claim the difference between the amount notified by AEMO under 3.12.2(c)(1) or (c)(3), respectively, and its entitlement under 3.12.2(a)(1) or (a)(2) as applicable. The difference between the entitlement under 3.12.2(a) and the notified amount under 3.12.2(c) is the adjustment claim. The claim must comply with the requirements of 3.12.2(g) and is subject to the amount to be received or paid being more than \$5,000, refer to 3.12.2(i).

The claimant included the following trading intervals (TI) in its claim:

- TI ending 0705 hrs to TI ending 1500 hrs on 15 November 2022
- TI ending 0750 hrs to TI ending 1700 hrs on 17 November 2022
- TI ending 0830 hrs to TI ending 1900 hrs on 19 November 2022

The last period started a day later than the start of the intervention price trading intervals declared by AEMO. All included intervals included in the claimants claim fall within the intervention price trading intervals declared by AEMO.

The claimant calculated the claim amount using the intervention price published by AEMO but used a higher quantity (MW) for energy dispatch and FCAS enablement. The claimant reasoned



that the constraint placed by AEMO reduced the energy dispatch and FCAS enablement quantities that would have prevailed in the absence of the constraint. The claim did not include other amounts.

2.2 Summary of the compensation framework

The objective of the compensation framework in clause 3.12.2 is to put affected participants entitled to compensation in the same economic position they would have been in had the intervention event not occurred.

NER subparagraph 3.12.2(a)(1) sets out the entitlement to compensation by an *Affected Participant* in respect of its scheduled generating unit. The compensation amount must take into account solely:

- the amounts notified by AEMO under subparagraphs (c)(1); and
- The items listed in paragraph (a1), direct costs incurred or avoided, including fuel costs, incremental maintenance costs and incremental manning costs.

The amounts notified by AEMO under subparagraph (c)(1) are:

- The estimated level of dispatch in MW for a scheduled generating unit determined through the *intervention pricing run*;¹ and
- The estimated trading amount that it would have received in the absence of the intervention event based on the level of dispatch from the *intervention pricing run* less
 - The trading amount set out in the relevant *final statement* for that *Affected Participant*.

NER subparagraph 3.12.2(a)(2) sets out the entitlement to compensation by a *Market Customer* in respect of its scheduled load. The compensation amount must take into account solely:

- the amounts notified by AEMO under subparagraphs (c)(3); and
- The items listed in paragraph (a1), direct costs incurred or avoided, including fuel costs, incremental maintenance costs and incremental manning costs.

The amounts notified by AEMO under subparagraph (c)(3) are:

- The estimated level of dispatch in MW for a *scheduled load* determined through the *intervention pricing run*; and
- The amount calculated by AEMO in accordance with paragraph 3.12.2(d).

An *Affected Participant* or *Market Customer* may make a written submission (3.12.2(f)) to AEMO to claim (or pay back) the difference between the notified amount under 3.12.2(c)(1) or (c)(3) and its entitlement under 3.12.2(a)(1) or (a)(2) as applicable. The claim must comply with the requirements of 3.12.2(g) and is subject to the amount to be received or paid being more than \$5,000, refer to 3.12.2(i).

¹ The *intervention pricing run* is defined as the process under clause 3.9.3(b) to set the *spot price* and *ancillary service price* for an *intervention price trading interval*.



2.3 Assessment of the claim

The claimant calculated the claim amount using the intervention price published by AEMO but used a higher quantity (MW) for energy dispatch and FCAS enablement. The claimant reasoned that the constraint placed by AEMO reduced the energy dispatch and FCAS enablement quantities that would have prevailed in the absence of the constraint.

The objective of the compensation framework in clause 3.12.2 is to put affected participants entitled to compensation in the same economic position they would have been in had the intervention event not occurred. The definition of an intervention event does not incorporate constraints placed by AEMO.

An AEMO intervention event is defined in the NER as “[a]n event where AEMO intervenes in the market under the Rules by:

- (a) issuing a direction in accordance with clause 4.8.9; or
- (b) exercising the reliability and emergency reserve trader in accordance with rule 3.20 by:
 - (1) dispatching scheduled generating units, wholesale demand response units, scheduled network services or scheduled loads in accordance with a scheduled reserve contract; or
 - (2) activating loads or generating units under an unscheduled reserve contract.”

Our interpretation of the compensation framework in clause 3.12.2 is that the MW quantities included in the claim cannot assume the absence of constraints that existed in the intervals included in the claim. AEMO’s pricing run estimated the price and quantities applicable to the claimant’s units in the absence of the issued directions. The intervention pricing methodology² ignores all invoked generic constraints that have an ‘intervention’ status. The methodology is designed to assist AEMO in setting energy and FCAS prices that would have prevailed in the absence of an AEMO intervention. As part of the output, the pricing run estimates energy and FCAS quantities that would have prevailed in the absence of an AEMO intervention. In our opinion the output of the pricing run is a reasonable estimate of prices and quantities that would have prevailed in the absence of the intervention. When applied to the claimant’s units the calculated amount for the *adjusted claim* associated with each direction was either zero or below the \$5,000 threshold.

2.4 Summary of the determination

The claimant’s MW quantities on which the *adjusted claim* was based, were estimated on the basis of the absence of the constraints, and the estimated MW quantities were higher than what the constraints on FCAS and energy allowed in these intervals. Our interpretation of the compensation framework in clause 3.12.2 is that the MW quantities in an adjustment claim cannot violate the constraints. The claimant did not include other amounts in its *adjustment claim*. Our interpretation of the compensation framework of the NER leads us to determine to reject the *adjustment claim* made by the claimant under NER 3.12.2.

² AEMO, Intervention Pricing Methodology version 2.2, effective 24 October 2021. Available at https://aemo.com.au/-/media/files/electricity/nem/security_and_reliability/dispatch/policy_and_process/intervention-pricing-methodology.pdf?la=en Accessed on 15 February 2023.



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.

