

Compensation Briefing for Retailers

29 June 2022



We acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture.

We pay respect to their Elders past, present and emerging.

AEMO Competition Law meeting protocol

AEMO is committed to complying with all applicable laws, including the Competition and Consumer Act 2010 (CCA). In any dealings with AEMO regarding proposed reforms or other initiatives, all participants agree to adhere to the CCA at all times and to comply with this Protocol. Participants must arrange for their representatives to be briefed on competition law risks and obligations.

Participants in AEMO discussions **must**:

1. Ensure that discussions are limited to the matters contemplated by the agenda for the discussion
2. Make independent and unilateral decisions about their commercial positions and approach in relation to the matters under discussion with AEMO
3. Immediately and clearly raise an objection with AEMO or the Chair of the meeting if a matter is discussed that the participant is concerned may give rise to competition law risks or a breach of this Protocol

Participants in AEMO meetings **must not** discuss or agree on the following topics:

1. Which customers they will supply or market to
2. The price or other terms at which Participants will supply
3. Bids or tenders, including the nature of a bid that a Participant intends to make or whether the Participant will participate in the bid
4. Which suppliers Participants will acquire from (or the price or other terms on which they acquire goods or services)
5. Refusing to supply a person or company access to any products, services or inputs they require

Agenda

1. Welcome, introductions and preliminaries
2. Briefing purpose
3. Recent market events
4. Summary of compensation mechanisms
5. Compensation recovery and reporting
6. Questions and next steps

Briefing purpose

- Provide a high-level summary of recent market interventions that give rise to compensation arrangements
- Explain the compensation mechanisms, including the timing of when payments are expected to occur
- Outline the recovery process, and the approach to reporting

Recent market events



Intervention summary – Wk25

Settlement Day	Sunday 12 June	Monday 13 June	Tuesday 14 June	Wednesday 15 June	Thursday 16 June	Friday 17 June	Saturday 18 June
Directions		[Yellow bar]					
Administered Pricing	Qld only	Qld, NSW, Vic, SA					
Market Suspension				MSPS in all regions			
RERT			NSW	NSW, Qld		NSW	
Intervention Pricing (AP/EP)		[Teal bar]					

Intervention summary – Wk26

Settlement Day	Sunday 19 June	Monday 20 June	Tuesday 21 June	Wednesday 22 June	Thursday 23 June	Friday 24 June	Saturday 25 June
Directions	[Yellow bar]						
Administered Pricing	Qld, NSW, Vic, SA				Qld, NSW, Vic		
Market Suspension	MSPS in all regions					Dispatch pricing	
RERT							
Intervention Pricing (AP/EP)	[Teal bar]						

Preliminary information on events

- AEMO has created a landing page for the June 2022 event:
 - <https://aemo.com.au/en/energy-systems/electricity/national-electricity-market-nem/nem-events-and-reports>
- The following information has been published so far:
 - Market Suspension FAQ
 - Information Sheet on lifting suspension
 - Compensation Mechanism briefing slide pack
 - RERT activation estimate reports for 14, 15, and 17 June 2022

Summary of compensation mechanisms



Direction compensation

- Eligibility:
 - The directed participant – limited to ‘scheduled plant’ and market generation
- Provisional compensation:
 - Directed quantity at 90th percentile spot price
 - Included in the final statement for the billing week in which the direction occurred
- Additional compensation:
 - Additional net direct costs incurred
 - Included in the revision statements for the billing week in which the direction occurred

Market Suspension compensation

- Eligibility:
 - Scheduled Generators, Ancillary Service Providers (scheduled generation only), Demand Response Service Providers
- Provisional compensation:
 - Greater of spot price and Benchmark Value for Generation + 15%
 - Included in the final statement for the billing week in which the direction occurred
- Additional compensation:
 - Additional net direct costs incurred
 - Included in the revision statements for the billing week in which the direction occurred

Reliability and Emergency Reserve Trader (RERT)

- Eligibility:
 - RERT Providers
- Entitlement:
 - According to RERT contract
- Timing:
 - Included in the final statement for the billing week in which the RERT exercised
- More information on [RERT Reporting page](#)

Administered Price compensation

- Eligibility:
 - Scheduled and Non-scheduled Generators, Scheduled Loads, Ancillary Service Providers, Demand Response Service Providers, Scheduled Network Service Providers
- Entitlement:
 - Direct and opportunity costs, as awarded by AEMC
- Timing:
 - Approx. 4-5 weeks following compensation being awarded

Intervention pricing compensation

- Eligibility:
 - Affected Participants and Market Customers: Scheduled Generators, Scheduled Network Service Providers, Scheduled Loads
 - Eligible Persons: SRA unit holders
- Provisional compensation:
 - What-if pricing
 - Included in the final statement for the billing week in which intervention occurred
- Additional compensation:
 - Claims possible where participant can establish that provisional compensation does not put them in the position they would have been absent the intervention

Indicative timing

	June	July	From August	November – January (see note below)
Directions	Period of the event: • 12 June onwards • Wk25, Wk26 so far	Provisional compensation, final statement: • Wk25: 13 July • Wk26: 20 July		Additional compensation, revision statement: • Wk25: 1 November (R1), 12 January (R2) • Wk26: 8 November (R1), 19 January (R2)
Administered Pricing		From July: Compensation awarded for direct costs	Compensation settled, final statement TBD	
Market Suspension		Provisional compensation, final statement: • Wk25: 13 July • Wk26: 20 July		Additional compensation, revision statement: • Wk25: 1 November (R1), 12 January (R2) • Wk26: 8 November (R1), 19 January (R2)
RERT		Payment to providers, final statement: • Wk25: 13 July • Wk26: 20 July		
Intervention Pricing (AP/EP)		Provisional compensation, final statement: • Wk25: 13 July • Wk26: 20 July		Additional compensation, revision statement: • Wk25: 1 November (R1), 12 January (R2) • Wk26: 8 November (R1), 19 January (R2)

Note: timing set out in the [Intervention Settlement Timetable](#)

Compensation recovery and reporting



Compensation recovery

- For each compensation mechanism, recovery needs to be performed to provide funding for:
 - The net compensation amount
 - Interest amounts payable
 - Administration and independent expert costs
- Apportioned to Market Customers based on energy in the relevant region (regional benefit factor or cost recovery region)
- Settled at the same time as compensation is paid (previous timing slide)

Reporting

- Several reporting processes will be involved:
 - [Power system operating incident reports](#) – any reviewable incidents
 - [RERT](#):
 - Activation estimates report (5 business days)
 - Contracted provider report (20 business days)
 - Quarterly report (mid-August)
 - [Frequency reports](#) – any frequency deviations
 - [Lack of Reserve Framework reports](#) – LOR operation
 - [Direction reports](#) – directions issued
 - Market Suspension event review
- AEMO intends to also publish an overarching report on the market suspension and related events

Questions and next steps





For more information visit

aemo.com.au