

This fact sheet provides information on the market suspension that occurred on 15 June 2022.

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## Frequently asked questions

### Why did AEMO suspend the market?

NEM operational processes are dependent on having timely and accurate provision of generator availability, and are not designed to cope with the withdrawal of large volumes of capacity requiring manual intervention across all regions on an unprecedented scale.

In particular, while central dispatch was (and remains) fully operational, the large number of constraints to manage directions and supply shortages at times resulted in up to 50% of 5-minute intervals being over-constrained and requiring manual resolution.

In short, the situation became unsustainable for AEMO systems and processes to manage, making ongoing operation of the market under the NER practically impossible.

Therefore AEMO took the decision to suspend the spot market in all regions on the afternoon of 15 June 2022.

### When will the suspension be lifted?

Information will be published separately on AEMO's website to explain the criteria and process for resuming normal spot market operation.

### Will the suspension be lifted in all regions at once or region by region?

Lifting a suspension in individual regions is possible, but in this case unlikely given the circumstances of suspension, in which it became impossible to operate the market with the systems and processes that drive the functioning of the NEM as a whole. From a system security and reliability perspective, partial suspension would affect the availability of interconnectors between suspended and non-suspended regions.



## How does electricity market dispatch occur under Market Suspension Conditions?

Where possible, dispatch instructions are issued electronically via market systems or the automatic generation control system (AGC). Dispatch is currently continuing in this way. If these processes become unavailable or impractical, AEMO may make the decision to issue dispatch instructions in some other form. For more details see AEMO Operating Procedure SO\_OP\_3706: Market Suspension and System Failure: <https://aemo.com.au/en/energy-systems/electricity/national-electricity-market-nem/system-operations/power-system-operation/power-system-operating-procedures>

## What will the price of electricity be in each region during market suspension?

At the start of the suspension, AEMO determined that it was not practicable to determine prices in accordance with the normal rules (NER 3.9), therefore spot prices are being determined using the Market Suspension Pricing Schedules (MSPS) for each region and day-type developed and published in accordance with NER clause 3.14.5(e):

<https://aemo.com.au/energy-systems/electricity/national-electricity-market-nem/data-nem/market-management-system-mms-data/market-suspension-pricing-schedule>.

The market suspension pricing schedule comprises:

- Half-hourly prices for each region for energy and FCAS, one for business days and one for non-business days. The schedules start at half-hour ending 0430 hrs each day.
- The methodology for determining suspension schedule prices caps them at the level of the administered price cap (APC).
- The schedules use historical prices from 4 weeks ago, and are updated weekly.

Because suspension schedule prices are the effective spot prices, the cumulative price calculation that triggered administered pricing from 12 June 2022 will reduce while suspension pricing is in place.

AEMO also scales spot prices in regions as required to minimise the accrual of negative inter-regional settlement residues, in accordance with NER clause 3.14.5(f).

Within a suspension period, AEMO can revert to normal dispatch pricing (under rule 3.9) if it is determined practicable to do so.

## What compensation is available for providing supply during market suspension?

AEMO is required to pay compensation to eligible Market Suspension Compensation Claimants (scheduled generators and demand response service providers) who provide energy or ancillary services in trading intervals when MSPS pricing applies, where those prices are not sufficient to cover their benchmarked (or actual) costs. Compensation will be calculated as per NER clauses 3.14.5A(d) and 3.14.5B.

If normal dispatch pricing applies during a suspension period this compensation is not available.

## What is the effect of the market suspension on making an APC compensation claim?

For practical purposes, the APC has no effect while MSPS prices are in place, although the administered pricing period continues until the 7-day cumulative price falls below the cumulative price threshold. The AEMC advised eligible participants to put in their claims for compensation due to the application of the APC before the market was suspended, by Wednesday 22 June. The administered price period ended at 0400 AEST on 22 June (SA) and 0400 on 23 June for all remaining mainland regions. Following the end of those administered price periods, the AEMC provided a further opportunity to submit claims until 29 and 30 June respectively. This enabled the process for compensation claims to commence.

## Can generators apply for APC compensation during market suspension?

APC compensation is administered by the AEMC, which has provided a dedicated email address for



enquiries and applications:  
[applications@aemc.gov.au](mailto:applications@aemc.gov.au).

## **How are generators compensated if AEMO directs them to be available during market suspension?**

Generators who are also eligible Market Suspension Compensation Claimants and are directed by AEMO during an MSPS pricing period may be eligible for compensation in two parts:

- MSPS compensation under the formula in NER clause 3.14.5A.
- Where the generator's costs of providing the directed service exceed that amount, additional compensation can be claimed for the direction under NER clause 3.15.7B.

## **If the market suspension is lifted, and APC is reapplied thereafter, does AEMO intend to again suspend the market?**

The application of the APC, by itself, is not a reason for AEMO to suspend the spot market in a region. A further suspension decision would depend on whether AEMO can continue operating the market in accordance with the rules, in the circumstances at the time. Before lifting the current suspension, AEMO would expect to have reasonable confidence that relatively normal market operation would be resumed, without unmanageable interventions.

## **Did AEMO have any discretion when applying the APC in NEM mainland regions?**

No. The criteria for applying the administered price cap are defined in the National Electricity Rules, based on the seven day cumulative wholesale market spot prices in a given region exceeding a pre-determined threshold. The APC is applied through automated processes when the cumulative price threshold is exceeded.

## **As a consumer, what can I do to assist AEMO in managing the current situation?**

There are presently limitations for both capacity (the total amount of power available from sources of generation) and energy (the amount of power available over time). It is helpful if energy use is shifted

away from peak periods and also reduced. At this time AEMO has encouraged consumers in NSW to reduce consumption where safe to do so. As the power system is interconnected across the eastern states, reduced consumption in other regions will help to increase available power transfer between regions.

## **How will the cost of directions and associated compensation claims be recovered?**

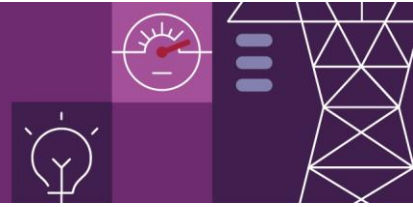
The cost of directions and market suspension compensation are recovered from Market Customers in the NEM (mainly retailers) in proportion to their adjusted gross energy and the region benefit assigned by AEMO.

The cost of administered price cap compensation is also recovered from Market Customers, in proportion to their adjusted gross energy in their cost recovery region.

## **Why isn't my region's price at the market suspension price?**

Clause 3.14.5(f) of the NER requires AEMO to scale the spot prices at all regions connected by one or more regulated interconnectors that have net energy flow towards a 'suspension node' by the average loss factor that applies for energy flow in that direction.

A similar requirement applies where prices in a region are being set by the APC.



## Where can I find more information?

See AEMO's website for the Guide to Market Suspension in the NEM.

See the AEMC's website for a copy of Chapter 3 of the National Electricity Rules.

For any further enquiries, please contact AEMO's Information and Support Hub via

- [supporthub@aemo.com.au](mailto:supporthub@aemo.com.au) or
- call 1300 236 600

This fact sheet is only a high level summary of limited aspects of the Market Suspension arrangements. NEM Registered Participants are responsible for ensuring they understand the relevant provisions of the National Electricity Rules and other applicable instruments, which prevail in the case of any inconsistency.